

The impact of new technologies on taxation: crypto and blockchain

2021/2201(INI) - 11/07/2022 - Committee report tabled for plenary, single reading

The Committee on Economic and Monetary Affairs adopted an own-initiative report by Lúcia PEREIRA (EPP, PT) on the impact of new technologies on taxation: crypto and blockchain.

Potential of new technologies such as blockchain

The report stressed that emerging technologies such as distributed ledger technology and blockchain, through their unique features, such as **traceability and their ability to store immutable and reliable data**, and thus to protect the integrity of such data, can better serve the needs of taxpayers, discourage corrupt practices, empower tax administrations and fight tax evasion and fraud.

However, Members pointed out that the use of blockchain, artificial intelligence (AI) and other digital tools by tax administrations has its advantages but also presents risks, particularly in terms of data quality, which must be properly mitigated, especially to prevent privacy violations and biased and discriminatory treatment of taxpayers.

The report highlighted the need to identify the **best ways of using technology** to enhance the analytical capacity of tax administrations, to standardise data to facilitate compliance with tax obligations by SMEs and taxpayers (e.g. through common reporting standards) and to ensure that taxation is more in line with the business environment in the digital age, while ensuring a high level of data protection.

The Commission is called on to:

- assess the ways in which different Member States tax crypto-assets and the different national policies regarding the fight against tax fraud and tax evasion in the field of crypto-assets;
- tackle harmful tax practices in the field of crypto-assets in the EU;
- take into account existing digital solutions in Member States and assess the opportunity of integrating blockchain-based solutions on information exchange platforms in order to promote real-time auditing and information exchange, in full compliance with EU data protection rules;
- consider the creation of a new platform for training and sharing of best practices between national tax authorities in the fight against tax fraud and evasion in the digital economy, and in particular in the context of the use of crypto-assets;
- explore all the opportunities offered by the European Blockchain Services Infrastructure (EBSI) for national tax authorities, mainly in the field of VAT compliance, with the aim of providing them with multiple and innovative blockchain protocols and helping national tax administrations to adapt to the use of these technologies.

Tax challenges related to crypto-assets

Members believe that crypto-assets should be subject to **fair, transparent and effective taxation**, to ensure fair competition and a level playing field between the tax treatment of financial assets and products and between financial service providers. They support the creation of an innovation-friendly environment

in the Digital Single Market, allowing entrepreneurs, SMEs and start-ups to contribute to economic recovery through tax revenues, within an effective regulatory framework.

The report highlighted the need to:

- **adapt the concept of permanent establishment**, namely with a clear definition of virtual permanent establishment, in line with international standards, as digital economy operators may carry out significant business activities in a Member State without establishing a physical presence there;
- have a **clear and broadly accepted definition** of crypto-assets for tax purposes;
- find a **coherent definition of the taxable event** to ensure an adequate level of taxation, while avoiding instances of double taxation.

Due to the dynamics of the crypto-asset markets, Members believe that there is an urgent need for rules on the choice of the type of taxation to be applied, on the definition of the taxable event, on the time and place where a taxable event occurs, and on its valuation.

The Commission is invited to consider the issue of crypto-assets, digitisation and new technologies in all its planned and future legislative proposals on tax matters. Member States are invited to take into account the specificities of the use of crypto-assets in their national tax reforms and to consider developing more effective systems.

Progress in developing an effective regulatory and legal framework

The report pointed out that the crypto-asset landscape is global and that the tax treatment of crypto-assets requires a coordinated international approach. The OECD, which has already done substantial work on both taxation and the treatment of crypto-assets, could be a suitable forum in this regard.

The Commission is invited to (i) present an assessment of major taxable events and forms of income associated with crypto-assets; (ii) conduct an impact assessment on the best practices identified to fairly and effectively tax crypto-assets, respecting the set of EU competences in tax matters, to look into the role of crypto-asset services providers and to determine to what extent crypto-assets fit within the existing tax framework.

The report called for a **common approach to the taxation of crypto-assets**. It called on the Council, in its Economic and Financial Affairs forum, to engage in a structured dialogue with the Parliament on this matter.

It is also necessary to **amend the scope of the Directive on administrative cooperation** so that the framework for the exchange of information in the field of taxation includes crypto-assets and e-money. The Commission is invited to include in its future revision of the Directive, the forthcoming OECD recommendations on the reporting of crypto-assets and the revisions to the Common Reporting Standard, as well as the recommendations of the Parliament as set out in its resolution on the implementation of the EU's tax information exchange requirements.