

MODULE 4 — TAXATION AND IMPLEMENTATION IN UKRAINE

ERCM Jean Monnet Module — Legal Regulation of Crypto-Assets: From Basics to Advanced

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In this module, we will look at how crypto-asset transactions are taxed across eleven jurisdictions — Germany, Poland, Hungary, Malta, Cyprus, Estonia, Portugal, Switzerland, Ukraine, Singapore, and the UAE — as well as the current and prospective legal regulation of virtual assets in Ukraine and the pathways to harmonizing it with the MiCA Regulation. The sections below examine these questions in turn.

TAXATION OF CRYPTO-ASSETS ACROSS JURISDICTIONS

4.1. Germany

Crypto taxation in Germany treats crypto-assets held by individuals not as currency but as “other assets” within the meaning of § 23 EStG. This means such transactions fall under the private disposal transactions tax regime. The holding period is key: if a crypto-asset is disposed of within one year of acquisition, the resulting gain is included in the individual’s taxable income and taxed at the progressive income tax scale (0% to 45%), depending on income level and marital status (married/unmarried). However, if the holding period exceeds 12 months, the gain from disposing of the cryptocurrency is generally fully tax-exempt, making long-term investment tax-efficient. A separate tax-free threshold applies: if aggregate annual income from private disposal transactions does not exceed €1,000, that income is not taxable.

FiFo (First-In, First-Out) is used to determine the taxable base, under which the crypto-assets acquired earliest are deemed to be the first disposed of. The taxpayer may deduct costs related to acquiring the cryptocurrency, as well as transaction fees, which reduces the taxable gain.

Income earned not from a sale but from using crypto-assets is of particular importance. In particular, income from staking, mining, crypto loans, or similar operations is taxed at the moment it is received, at its market value in euros. Such income is classified as “other income” under § 22 No. 3 EStG and is taxed at the general personal income tax rate. Subsequently, if crypto-assets obtained this way are sold within one year, an additional tax liability arises as for a private disposal transaction.

In practice, most cryptocurrency transactions have tax consequences. Purchasing crypto-assets with euros is not taxed, but their subsequent sale, exchange for other crypto-assets, or use to pay for goods and services may give rise to a taxable gain. Importantly, even exchanging one cryptocurrency for another (e.g., Bitcoin for Ethereum) is treated as a taxable transaction. In addition, receiving cryptocurrency as remuneration (salary, freelancer fees) is taxed as wage tax (PAYE) or self-employment tax at the moment of receipt.

For legal entities, the approach differs: crypto-assets are recognized as business assets, and all transactions involving them are included in the company’s taxable profit regardless of the holding

period. Unlike individuals, companies do not benefit from the one-year holding exemption or the tax-free minimum. Profit is taxed at a 15% corporate income tax rate, plus a solidarity surcharge (5.5%), as well as a trade tax averaging around 14%, which depends on the municipality.

Non-commercial investors declare income from the sale of crypto-assets in their annual tax return.

Legal tender status – cryptocurrency has none in Germany.

Thus, the German model of cryptocurrency taxation combines incentives for long-term investment with a fairly strict approach to taxing short-term transactions and current income from using crypto-assets.

4.2. Poland

In Poland, taxation of cryptocurrency transactions follows a special regime. Profit from disposing of crypto-assets is taxed at a flat rate of 19% as capital income. If income exceeds PLN 1 million, an additional 4% “solidarity levy” applies.

Taxable events include, in particular, converting cryptocurrency into fiat funds (e.g., Polish zloty or euro), using cryptocurrency to pay for goods, services, or property, and settling obligations with crypto-assets. Exchanging one cryptocurrency for another (crypto-to-crypto) is not treated as a taxable event.

The taxable base is defined as the difference between income from disposing of cryptocurrency and the costs of acquiring it. In general terms: income = aggregate income from cryptocurrency sales during the year, minus deductible costs. If cryptocurrency is used to pay for goods or services, the income is deemed to be its fair market value at the time of the transaction. Where crypto-assets are received free of charge (e.g., via an airdrop), they are generally treated as having a zero cost basis, unless the taxpayer incurred direct costs in acquiring them.

Poland applies a specific approach to accounting for cryptocurrencies that differs from the FiFo method. Under the position of the tax authority, Krajowa Administracja Skarbowa (KAS), a taxpayer must aggregate all income from selling crypto-assets and all costs of acquiring them during the tax year and report them in the annual return. This approach is often called the “aggregate cost” method. Reporting is mandatory even where there is no income — for example, if only acquisition costs were incurred during the year.

If, in a given year, the costs of acquiring crypto-assets exceed the income from their sale, or there is no income at all, the difference is not lost but is carried forward to future tax periods, where it may be taken into account as a cost reducing taxable income.

Importantly, only costs directly related to acquiring or disposing of cryptocurrency are deductible. Costs of financing such transactions (e.g., loan interest), mining costs (including equipment and electricity), and costs related to exchanging one cryptocurrency for another are not deductible.

Current tax regulation does not establish a separate approach for different types of crypto-assets (such as tokens, stablecoins, or NFTs), so in practice they are generally taxed under the same rules.

Similarly, receiving new tokens (e.g., as a result of an airdrop or a fork) is generally not treated as taxable at the time of receipt, but their subsequent disposal is taxable, with the full amount of proceeds forming the base (given the zero cost basis).

Income from cryptocurrency transactions is declared as part of the annual tax return on form PIT-38, filed between 15 February and 30 April of the year following the reporting year.

Payment of personal income tax on the relevant transactions is not made in advance instalments. It is paid in a single payment when filing the tax return for the preceding tax year.

Legal tender status – Poland has none.

4.3. Hungary

In Hungary, the taxation of crypto-asset transactions follows a relatively simple and liberal model, substantially updated in 2021 with the introduction of special rules for virtual assets. Cryptocurrency is not recognized as legal tender but is treated as an investment asset, and income from transactions involving it is subject to taxation.

For individuals, cryptocurrency income is taxed at a flat rate of 15% (PIT), with no additional social contributions. Taxable profit arises from converting crypto-assets into fiat funds or using them to purchase goods and services (treated as a sale). Exchanging one cryptocurrency for another does not give rise to tax consequences. The taxable base is the difference between income from disposal and the costs of acquiring the crypto-assets, and such costs may be carried forward for the following two tax years. There is also a relief for minor amounts of income (capped at 10% of the minimum wage per day, but not exceeding one minimum monthly wage per year) — approximately €624 per year. This allows new market entrants who are just learning the basics of trading to gain their first experience without additional administrative or tax burden.

For legal entities, there is no special “crypto regime.” Crypto-asset transactions are taxed under the general corporate taxation rules. Crypto-assets are recognized as business assets, and profit from their sale, exchange, or other use is included in the company’s overall financial result.

Hungary has one of the lowest corporate income tax rates in the EU — 9%. A company’s profit, including profit from crypto-asset transactions, is taxed at this rate. Unlike individuals, for companies:

- the relief for minor amounts of income does not apply;
- the crypto-to-crypto tax exemption rule does not apply — such transactions are accounted for in the financial result under accounting rules;
- costs and income are determined under general accounting and tax rules.

At the same time, additional tax consequences may arise at the company level depending on the type of activity (e.g., if crypto-asset transactions constitute the company’s core business), and other taxes (e.g., local business tax) may apply, depending on the specific structure of the activity.

Tax obligations for both individuals and legal entities are fulfilled by filing an annual tax return and paying tax within the prescribed deadlines.

It is also worth noting that Hungary had a “crypto amnesty,” which allowed individuals to declare crypto-asset income for prior years (starting from 2018) in their 2022 return, with the possibility of accounting for costs. This was particularly relevant given that special cryptocurrency taxation rules were only introduced in 2021.

Thus, the Hungarian model is attractive to both private investors and businesses due to its low tax rates, the absence of additional social contributions for individuals, and a generally favourable tax environment.

4.4. Malta

Malta is traditionally regarded as one of the first EU member states to develop a systematic approach to regulating virtual assets. However, no separate special tax regime for cryptocurrency has been introduced — instead, the tax authorities’ 2018 guidance adapted the general taxation rules to virtual-asset transactions.

This guidance proposed a classification of virtual assets that is key to determining tax consequences. In particular, a distinction is drawn between:

- coins — classic cryptocurrencies (e.g., Bitcoin, Ethereum) that function as a medium of exchange;
- tokens, which are divided into utility tokens — used within a particular platform as a means of accessing services; financial (security) tokens — bearing the characteristics of financial instruments and treated as securities; and hybrid tokens, which may combine characteristics of different asset types.

This classification is decisive, since the nature of the asset determines how it is taxed.

The key approach of the Maltese tax system is to distinguish between investment (passive) and business (trading) activity involving crypto-assets. As a rule, only transactions bearing the hallmarks of systematic commercial activity (trading) are taxable. If cryptocurrency transactions are isolated and do not bear the hallmarks of a business, they may fall outside the scope of taxation.

To determine whether an activity is a business, the so-called “badges of trade” test, developed through case law, is applied. Criteria include the frequency of transactions, the intention to make a profit, the method of financing, the length of time the asset is held, and so on.

Where an activity is recognized as a business, profit is taxed under the general rules. For individuals, this means applying the progressive income tax scale (up to 35%). For example, income from financial tokens, which is essentially analogous to dividends or investment income, is taxed under the general rules applicable to such income.

For tax purposes, all DLT-asset transactions must be valued at market value. The value of crypto-assets must be converted into the fiat currency in which the taxpayer keeps accounts or files financial statements. Where market value is not directly available, it is determined based on average

quotes on reputable exchanges as of the transaction date. In the absence of such data, other reasonable valuation methods acceptable to the tax authority may be used.

If a company receives payment in cryptocurrency, such a transaction is treated for tax purposes in the same way as receiving payment in fiat currency — that is, as ordinary business income. At the same time, the tax treatment of token transactions depends on their classification: financial tokens are taxed under the rules applicable to financial instruments, while utility tokens are taxed under the general income rules.

Thus, the Maltese model of crypto-asset taxation is not based on special tax rates but on integrating cryptocurrency into the general tax system, with an emphasis on the economic substance of transactions and their classification.

Cryptocurrency in Malta does not have legal tender status but is recognized as an object with economic value that may be used in commercial transactions.

4.5. Cyprus

As of 1 January 2026, Cyprus's cryptocurrency taxation system provides that profits from selling crypto-assets will be taxed at a flat rate of 8%, applicable to both individuals and companies. For example, if an investor sells cryptocurrency worth €100,000, the tax payable on the profit is €8,000.

The taxable event is the disposal of a crypto-asset. This includes selling cryptocurrency for fiat currency such as the euro, exchanging one cryptocurrency for another, and using digital assets to purchase goods or services.

For active traders, the difference is significant. An individual with an annual trading profit of €500,000 will now pay 8% tax on the profit instead of a potential 35%, resulting in a reduction of the overall tax liability.

The investor's tax residency status determines how these new rules apply. Cypriot tax residents — that is, those who spend more than 183 days per year in the country or have their main business and family ties there — are taxed at 8% on cryptocurrency sales worldwide. Non-residents are taxed only on profits derived directly in Cyprus. Non-domiciled individuals are exempt from tax on dividends and interest, which may be relevant for certain investment portfolios. Companies are subject to the standard 8% rate, although legal entities must properly document their treasury policy.

Importantly, what the changes did not affect: income from staking or mining rewards is still treated under the general profit tax rules (up to 35% for individuals) and is not subject to the 8% tax.

In addition, the updated legislation contains specific guidance on how various asset-management scenarios are treated:

- Unrealized gains: the 8% tax applies only to realized disposals. Assets held without being sold or exchanged do not give rise to a taxable event.
- Corporate structures: registered Cypriot companies are subject to the standard 8% rate. Corporate owners without a registered office are assessed under existing corporate tax benefits, potentially

resulting in effective rates of 8% to 10%.

– Treatment of capital losses: since losses cannot be carried forward, they are offset against profitable sales within the same calendar year. For example, for an investor with a profit of €200,000 and a loss of €50,000 in the same year, the 8% tax applies only to the net €150,000.

The return is filed as part of the general annual tax return. Tax is paid in a single payment together with the return for the preceding tax year.

4.6. Estonia

Estonia has taken significant steps to regulate virtual assets. This process began in 2019 with amendments to the Money Laundering and Terrorist Financing Prevention Act (MLTFPA), which brought virtual currency service providers under AML/CTF rules. These providers were required to obtain licences from the Estonian Financial Intelligence Unit (FIU) and implement measures such as customer due diligence, transaction monitoring, and suspicious activity reporting.

Significant changes took effect on 1 July 2024 with the entry into force of the Crypto-Assets Market Act, which aligned Estonia's legal framework with the EU's Markets in Crypto-Assets Regulation (MiCA) and Regulation (EU) 2022/2554 on digital operational resilience (DORA). Under this new regime, all crypto-asset service providers (CASPs) must obtain a licence from the Estonian Financial Supervision Authority (FSA). Licences previously issued by the FIU remain valid only until 1 July 2026. The scope of regulation has expanded to cover not only exchanges and wallets but also trading platforms, custodians, and issuers of asset-referenced tokens and e-money tokens. CASPs are now subject to requirements on governance, capital adequacy, protection of client assets, transparency, and complaint handling. They must also have a registered office in Estonia.

In Estonia, a virtual asset is understood as a digital representation of value that can be transferred, stored, or traded digitally, and that natural or legal persons accept as a means of payment or investment. Importantly, a virtual asset is not issued or guaranteed by any central bank or public authority, is not legal tender, and does not qualify as traditional fiat currency or funds under payment services legislation.

In Estonia, transactions with virtual assets are taxed as income from the disposal of property. Crypto-assets are treated as movable property, so any disposal of them (sale, exchange for fiat, goods, services) is a taxable event.

Exchanging one crypto-asset for another (crypto-to-crypto) is also treated as a taxable disposal. Acquiring crypto-assets does not create a tax liability.

The taxable base is the profit (sale value minus documented acquisition costs). Losses from crypto transactions may be offset against overall income.

The tax rate for individuals is 22% (from 2026). For legal entities, Estonia's unique model applies: 0% tax on undistributed profit. The 22% tax is payable only upon distribution of profit (dividends, withdrawals, etc.).

Estonia regulates stablecoins primarily through the Crypto-Assets Market Act and the EU MiCA Regulation. Although the term “stablecoin” is not used directly, the laws classify them into two specific types: ARTs, pegged to several assets such as currency baskets or commodities, and EMTs, pegged to a single fiat currency such as the euro. Issuers of both ARTs and EMTs must obtain authorization from the Estonian Financial Supervision Authority and comply with rules on capital reserves, governance standards, transparency, and consumer protection. They are also subject to ongoing supervision and may face penalties for non-compliance.

As for NFTs, they are not directly addressed in the Crypto-Assets Market Act or MiCA, mainly because these rules are designed for fungible crypto-assets. However, NFTs are generally excluded from the main scope of these laws unless they are designed or marketed in a way that gives them the characteristics of financial instruments or investment products. For example, if an NFT can be used for payment, confers rights to profit, or mimics the structure of a security, it may fall under financial or anti-money-laundering rules. Even where they fall outside MiCA’s scope, persons offering or seeking to admit to trading such “other crypto-assets” (potentially including NFTs) remain subject to oversight and liability.

The income tax return is due by 30 April of the following year. Tax is paid at the same time as the return is filed.

4.7. Portugal

Portugal now taxes cryptocurrency following new rules introduced in the 2023 State Budget (“Orçamento de Estado”), but it remains one of the most crypto-friendly countries in the world.

Cryptocurrencies in Portugal are taxed depending on the nature of the transaction and the timing of the income. Taxable events include converting cryptocurrency into fiat, and receiving income in cryptocurrency (salary, rewards, mining, etc.).

Exchanging cryptocurrency for another cryptocurrency (crypto-to-crypto) is not treated as a taxable event. Investors may carry out such transactions without restriction, and the tax obligation arises only at the stage of final conversion into fiat. Even if, after conversion, the funds are not withdrawn to a bank account, a tax liability already arises.

Taxation is carried out under various personal income tax categories depending on the nature of the income: Category A (employment income) — salary paid in cryptocurrency is taxed at its market value in euros under the progressive scale; Category E (capital income) — income from staking, yield, etc., generally taxed at 28%; Category G (capital gains) — profit from buying and selling cryptocurrency; Category B (self-employment) — income from providing services paid for in cryptocurrency.

Rates range from 13.25% to 48% depending on income level. This means that when crypto income is aggregated with overall income, the effective rate may differ significantly from the flat 28%.

The tax treatment depends on the holding period of the asset: 28% if the cryptocurrency was held for less than 12 months; 0% if it was held for more than 12 months.

The taxpayer has the right to apply the flat 28% rate, or to include the income in overall annual income and be taxed under the progressive scale. If the maximum income threshold is exceeded, applying the progressive scale becomes mandatory.

Portuguese residents must declare crypto income in their annual return: the main form is Modelo 3, with additional forms Anexo G (capital gains) and Anexo E (investment income, e.g., staking).

Filing is done through the tax authority's electronic portal between 1 April and 30 June of the year following the reporting year.

Where cryptocurrency transactions are carried out as part of a legal entity's business, corporate income tax (IRC) applies, at a base rate of 21%.

Despite the introduction of new rules, Portugal remains attractive to crypto investors, since long-term investments (held over 12 months) are exempt from taxation. It is also worth noting the reform of tax incentives for foreigners: the former NHR (Non-Habitual Resident) regime has been abolished, but an updated equivalent has been introduced, with a preferential 20% rate for certain categories of income.

When changing tax residency to Portugal, double taxation can generally be avoided under applicable international tax treaties, though each situation requires individual analysis.

4.8. Switzerland

In Switzerland, cryptocurrency is not recognized as legal tender in the sense of a state currency such as the Swiss franc. The Swiss Federal Tax Administration classifies it as an asset, specifically as a crypto-asset or crypto-based asset. In economic substance, it is treated as equivalent to private capital assets such as shares or bonds, which is decisive for its tax treatment.

A key feature of the Swiss approach is that private investors are not subject to capital gains tax. That is, profit from selling or exchanging cryptocurrency is, as a general rule, not taxed. However, this rule does not apply to persons recognized as professional traders or self-employed entrepreneurs, for whom the relevant income is taxed as ordinary income.

To determine an investor's status, so-called "safe harbour" criteria are applied. These include the holding period of the asset (at least six months), the volume of trading transactions (which should not exceed five times the value of the assets at the start of the year), the ratio of profit to overall income (less than 50%), the absence of debt financing, and the use of derivatives solely for hedging purposes. These criteria are not applied formally — the holding period, transaction volume, and nature of the income are decisive. The final determination of a taxpayer's status is made at the cantonal level.

At the same time, cryptocurrency is taxable as income where it is obtained through active activity. In particular, if cryptocurrency is paid as salary or as payment for services rendered, it is included in taxable income at its market value in Swiss francs at the time of receipt. Income from mining, staking, and receiving airdrops is taxed similarly, as is, likely, income from DeFi activity such as yield farming or liquidity mining, which may be treated as additional income.

Switzerland's income tax system has a three-tier structure comprising federal, cantonal, and municipal taxes. The federal tax is uniform nationwide, while cantonal and municipal tax rates are set locally. A progressive scale generally applies, although some cantons may use flat rates. Given the large number of cantons and municipalities, the overall tax burden depends significantly on the taxpayer's place of residence.

In addition to income tax, Switzerland applies a wealth tax, which covers all private assets, including cryptocurrency. The taxable base is the aggregate value of assets as of 31 December of the relevant year. Tax authorities publish indicative market values for major cryptocurrencies for reporting purposes, and in their absence the taxpayer determines the value independently based on market data from the platform where the asset is held. Wealth tax rates are set at the cantonal level and generally range from 0.3% to 1%, often on a progressive basis. A tax-free minimum, usually around CHF 100,000, applies and may vary depending on the canton and the taxpayer's marital status.

At the same time, a number of cryptocurrency transactions are not taxable. These include purchasing cryptocurrency with fiat funds, private investors selling or exchanging crypto-assets, simply holding an asset (except for its inclusion in the wealth tax base), and transfers between one's own wallets.

The taxation of mining has its own specifics. At the federal level it is treated as income, but its classification may differ at the cantonal level. In some cantons, such as Bern and Zurich, mining is always considered self-employed activity, while in others (e.g., Lucerne or Zug) the assessment is made individually depending on the scale and nature of the activity. This directly affects the applicable tax regime and the possibility of deducting costs.

Overall, Switzerland's tax regime is fairly favourable for private cryptocurrency investors due to the absence of capital gains tax. At the same time, the key risks remain the reclassification of an investor as a professional trader, as well as varying cantonal taxation practices, which create inconsistency in tax regulation.

4.9. Ukraine

As of today, there are no special rules for taxing transactions with virtual assets in Ukraine. The Tax Code of Ukraine does not contain separate provisions dedicated to cryptocurrencies or other virtual assets.

The only legislative act that currently defines the concept of a "virtual asset" is the Law of Ukraine "On Prevention and Counteraction of the Legalization (Laundering) of Proceeds..." Under this Law, a virtual asset is recognized as a digital expression of value that can be traded or transferred digitally and may be used for payment or investment purposes.

Accordingly, such transactions are taxed under the general rules applicable to any other income. Individuals' income from cryptocurrency transactions is taxed under the general rules. In particular: the tax base is effectively the entire income received (without a clear mechanism for accounting for costs, as is provided for investment profit); the taxable event is deemed to be the moment of selling the cryptocurrency (this is when the tax liability arises — according to the position of the tax authorities); and the following rates apply: 18% personal income tax (PIT) and 5% military levy.

Such income is declared by filing an annual declaration of property status and income.

Legal entities carrying out cryptocurrency transactions also tax the relevant income under the general rules: they pay corporate income tax at 18%; in certain cases, a VAT liability may arise (depending on the nature of the transactions).

Individual entrepreneurs currently cannot apply the simplified taxation system (single tax) to income from cryptocurrency transactions, because virtual-asset activity is not included in the list of activities permitted under the simplified system.

It is also worth noting that Ukraine has adopted the Law of Ukraine “On Virtual Assets,” aimed at creating comprehensive market regulation and harmonization with EU law (the *acquis communautaire*). However, this Law has not yet entered into force, and Ukraine’s approach does not envisage fully replicating the MiCA model.

Thus, the current model of cryptocurrency taxation in Ukraine remains fragmented and relies mainly on general tax legislation and clarifications from regulatory authorities, whereas the future system envisages a more specialized and liberal approach to taxing virtual assets.

4.10. Singapore

Singapore has developed one of the most favourable approaches to cryptocurrency taxation, based on the absence of a capital gains tax. This means that profit from crypto-asset transactions is not taxed, provided that such activity is investment in nature rather than a business. At the same time, the nature of the transactions is decisive: if cryptocurrency activity acquires the hallmarks of a business (regularity, significant volumes, short-term holding of assets), the relevant income is taxable as ordinary income.

There is official guidance from the Inland Revenue Authority of Singapore (IRAS) — the e-Tax Guide “Income Tax Treatment of Digital Tokens” (published 17 April 2020, current as of 2026). Digital tokens are divided into three categories: payment tokens (e.g., BTC, ETH), utility tokens, and security tokens (securities in digital form).

Taxable cryptocurrency transactions include, in particular, selling cryptocurrency as part of business activity or active trading, receiving cryptocurrency as payment for goods or services, and mining where carried out in a professional business setting. In such cases, income is determined at the market value of the assets received and is included in the taxpayer’s overall taxable income.

A number of transactions, however, are not taxable. These include long-term cryptocurrency investments, profit earned by individuals outside business activity, buying cryptocurrency with fiat funds, using cryptocurrency to pay for goods or services, moving crypto-assets between one’s own wallets, and mining carried out as a hobby without a systematic character.

Singapore’s income tax system applies a differentiated approach depending on the taxpayer’s status. Individuals are subject to a progressive income tax scale, while legal entities are subject to a flat corporate tax rate. Special rules apply to non-residents: employment income is taxed at 15% or under the progressive scale applicable to residents (whichever is higher), while other income is taxed at a flat

rate of 22%.

Singapore also has a Goods and Services Tax (GST), but transactions in so-called digital payment tokens (e.g., Bitcoin or Ether) are in most cases exempt from it. However, the tax may apply to related services, such as commission fees.

Thus, Singapore's tax regime for crypto-assets is characterized by the absence of tax on investment profit, a focus on taxing income from active business activity, a flexible approach to determining taxpayer status, and an overall favourable environment for the development of the crypto industry.

4.11. UAE

The United Arab Emirates has developed one of the most favourable tax regimes for crypto-assets, based on the general principle of not taxing individuals' income. In particular, the country does not apply personal income tax, nor is there a capital gains tax, meaning that profit from cryptocurrency investments by individuals is generally not taxed.

This means that buying, selling, or holding cryptocurrency, where carried out as part of personal investment activity, does not create tax liabilities. In particular, simply holding cryptocurrency (HODLing) or disposing of it for investment purposes is not taxable.

At the same time, it is important to distinguish between investment activity and business activity. If cryptocurrency transactions acquire the hallmarks of a business (e.g., systematic trading, exchange operations, industrial-scale mining), such income is treated as business income and is subject to corporate tax. Since 2023, the UAE has applied a federal corporate tax at a rate of 9%, but only on taxable profit exceeding AED 375,000 (approximately USD 102,000) per year, although a 0% rate may apply in certain free economic zones, subject to special requirements.

As for specific cryptocurrency transactions, international practice (which is also used to understand the UAE's approach) treats the following as potentially taxable business events: selling cryptocurrency for fiat funds, using cryptocurrency to pay for goods or services, receiving income from staking or airdrops, and mining, which is treated as business income.

Particular attention should be paid to indirect taxation. The UAE has a Value Added Tax (VAT) at a base rate of 5%, but cryptocurrency transactions are generally exempt from VAT, further reducing the tax burden on investors and businesses.

At the same time, mining does not always qualify for the VAT exemption and may be treated as a separate activity requiring analysis from a tax-liability perspective.

Overall, the UAE's tax regime for crypto-assets is characterized by the absence of tax on individuals' income and capital gains, the presence of corporate tax for business activity, the possibility of applying preferential regimes in free economic zones, and the exemption of most crypto transactions from VAT. This approach makes the UAE one of the most attractive jurisdictions for crypto investors and crypto businesses in the world.

LEGAL REGULATION AND TAXATION OF CRYPTO-ASSETS IN UKRAINE

4.12. Regulation of Crypto-Assets and Tax Aspects under Draft Law “On Amendments to the Tax Code of Ukraine and Certain Other Legislative Acts of Ukraine Regarding the Regulation of Virtual Asset Circulation in Ukraine” No. 10225-d

Draft Law “On Amendments to the Tax Code of Ukraine and Certain Other Legislative Acts of Ukraine Regarding the Regulation of Virtual Asset Circulation in Ukraine” No. 10225-d regulates not only tax-law aspects but also introduces amendments to legislation.

Key provisions:

1. General aspects:

- the definition of “virtual asset” has been clarified;
- the following classification of virtual assets is provided (division into three types): (A) Asset-referenced tokens — their value is stabilized by being pegged to assets such as currency or property; (B) E-money tokens — pegged to a single official currency to ensure stability; (C) Other tokens — a category defined by the Regulator, covering assets that do not belong to the first two types.
- the Law of Ukraine “On Virtual Assets” will be renamed the Law of Ukraine “On Virtual Asset Markets.”

2. Tax aspects:

- the positive financial result (profit) from VA transactions is taxed based on annual results, i.e., all income from selling VAs during the year is reduced by the costs incurred during the year to acquire VAs;
- losses from prior periods are taken into account until fully offset;
- the positive difference is taxed at a rate of 18% PIT and 5% military levy;
- there is no tax agent; the taxpayer independently declares and pays taxes.

II. Not taxable:

- a) income from exchanging VAs for other VAs;
- b) income from selling VAs within the amount of one minimum wage;
- c) the value of virtual assets received as a result of their issuance (creation) or received free of charge by the taxpayer from their issuers or offerors, and/or received by the taxpayer from issuers or offerors of virtual assets solely in exchange for the taxpayer’s personal data;

III. Special tax amnesty:

- for virtual assets acquired before the new law enters into force, it is envisaged that, in the event of selling such virtual assets during 2026, individuals will have the right to choose a preferential rate of

5% PIT + 5% military levy (under the general procedure);

Provisions of the Draft Law:

“36. A taxpayer has the right to include, in the total monthly (annual) taxable income for the 2026 tax (reporting) year, income in the amount of funds received from transactions involving the sale (disposal) of virtual assets in exchange for currency values, where such virtual assets were acquired by the taxpayer before the entry into force of the Law of Ukraine ‘On Amendments to the Tax Code of Ukraine and Other Legislative Acts of Ukraine Regarding the Regulation of Virtual Asset Circulation in Ukraine.’ Such income is reflected in the tax return on property status and income for 2026 separately from other income and expenses and is taxed at the rate set out in clause 167.2 of Article 167 of this Code. In this case, such income is not taken into account when determining the object of taxation under the rules of clause 170.2-1 of Article 170 of this Code.

The procedure for determining and confirming the date of acquisition of virtual assets is approved by the regulator of virtual asset markets designated by the Law of Ukraine ‘On Virtual Asset Markets.’

Implementation of the provisions of this clause does not constitute grounds for full or partial non-compliance with legislative requirements in the field of preventing and combating the legalization (laundering) of proceeds of crime, the financing of terrorism and the financing of the proliferation of weapons of mass destruction, or with legislative requirements in the field of implementing and monitoring the effectiveness of personal, special, economic, and other restrictive measures (sanctions).

If a taxpayer does not exercise the right provided for in the first paragraph of this clause, such income is taxed on general grounds under clause 170.2-1 of Article 170 of this Code.”

4.13. System of State Regulation

Ukraine’s system of state regulation of virtual assets is still at the formative stage. The basic regulatory act is the Law of Ukraine “On Virtual Assets” No. 2074-IX of 17 February 2022, which has not yet fully entered into force due to the absence of corresponding amendments to the Tax Code of Ukraine.

Draft Law No. 10225-d (adopted in the first reading on 3 September 2025) envisages the introduction of a two-tier system of regulation and supervision of the virtual asset market.

The National Bank of Ukraine has been designated as the first regulator, acting as the fundamental regulator responsible for the stability of the monetary system and the integration of virtual assets into the financial sector. Its competence will cover the regulation of virtual assets backed by currency values (including stablecoins) as well as e-money tokens (EMT).

The NBU’s main powers will include: determining the procedure for exchanging virtual assets for fiat funds; establishing cybersecurity requirements for service providers; supervising payment transactions involving digital assets; and minimizing risks to the financial system, in particular those related to crypto-market volatility.

The second regulator is to be a specially designated state authority, although as of today this has not been finally determined at the legislative level. In this regard, it is worth analyzing the powers of the

National Securities and Stock Market Commission (NSSMC) as the body most likely to perform the relevant functions.

It is envisaged that the NSSMC will regulate most types of virtual assets, in particular unbacked virtual assets (e.g., Bitcoin, Ethereum) and assets bearing the characteristics of financial instruments (security tokens).

The NSSMC's key functions will include licensing virtual asset service providers, maintaining a state register of such providers, exercising supervision and imposing sanctions for violations of legislative requirements, and establishing rules for token issuance and disclosure requirements.

A separate role in the regulatory system is played by the State Financial Monitoring Service of Ukraine, which provides financial oversight in the field of virtual asset circulation and supervises compliance with anti-money laundering (AML) and counter-terrorist financing (CFT) requirements.

Its powers include monitoring suspicious financial transactions, implementing and controlling customer identification (KYC) procedures, and analyzing the risks of using virtual assets to circumvent sanctions.

An important element of future regulation is strengthening requirements for virtual-asset service providers (exchanges, exchangers, wallet providers). Licensing such entities will involve elevated standards of transparency, cybersecurity, and financial control.

The draft law also establishes requirements for the organizational and legal form of such entities. They must be registered in Ukraine as a joint-stock company or a limited or additional liability company. Mandatory conditions include having a registered address in Ukraine, at least one resident director, and actual management of the activity from the territory of Ukraine.

In addition, market participants are required to implement financial monitoring procedures in accordance with legislation, including customer identification (KYC), transaction monitoring, and reporting of suspicious transactions. This is in line with the course of harmonizing Ukrainian legislation with EU law, in particular the AMLD directives and the MiCA Regulation.

Foreign crypto providers will be able to operate in Ukraine only after undergoing an authorization procedure. Priority will be given to companies registered in EU member states or other jurisdictions determined by the regulator to meet an appropriate level of regulation.

Thus, Ukraine's system of state regulation of crypto-assets is moving from a "grey" zone towards a transparent European format. Once Draft Law No. 10225-d is finally adopted and the principal regulator is designated (likely the NSSMC), the market will receive clear rules on licensing, supervision, and participant protection, creating the conditions for the legal development of the crypto industry in Ukraine.

4.14. Prospects for Harmonization with the MiCA Regulation

The process of harmonizing Ukrainian legislation with the MiCA Regulation is a key element of European integration and of building a stable regulatory environment for the development of the

crypto industry. This is not merely a matter of formally borrowing rules, but of systematically adapting the national legal model to the approaches developed within the European Union.

Harmonization is complex in nature and involves the transformation of several interrelated regulatory elements at once.

First and foremost, aligning terminology and the classification of crypto-assets is important. Implementing MiCA's approaches involves establishing clear asset categories (in particular ART and EMT), which helps eliminate legal uncertainty and ensure consistent law enforcement.

The next step is building an effective institutional model. This involves distributing powers among regulators in line with MiCA's functional approach and ensuring their adequate capacity. In this context, the National Securities and Stock Market Commission and the National Bank of Ukraine play a key role.

In parallel, it is necessary to introduce a transparent system of licensing and supervision of crypto-asset service providers (CASPs), covering capital requirements, risk management, internal controls, and consumer protection.

An important element is also the integration of anti-money laundering and counter-terrorist-financing requirements in line with FATF standards, which must be combined with broader requirements for corporate governance and good-faith conduct by market participants.

A separate role is played by developing a tax model that is stable and predictable while not discouraging innovation. Equally significant is introducing effective investor-protection mechanisms, in particular through white-paper disclosure requirements and issuer liability.

Against this background, Ukraine has already taken certain steps towards harmonization. In particular, the Law of Ukraine "On Virtual Assets" and Draft Law No. 10225-d (adopted in the first reading in 2025) lay the groundwork for aligning with MiCA standards. The draft law introduces a definition of a virtual asset as a digital thing and partially implements the European classification (EMT, ART, utility tokens, NFT).

At the same time, the current regulatory model is not yet fully aligned with the European one. The main discrepancies appear in terminology (the use of the term "virtual assets" instead of "crypto-assets"), classification features, and the existence of civil-law conflicts regarding the legal nature of such assets.

Additional challenges include the fragmented nature of the legislation, the insufficient development of infrastructure for monitoring cryptocurrency transactions, and the limited institutional capacity of regulators. This requires both regulatory refinement and strengthening the expert and technical capacity of state authorities.

Despite this, the prospects for harmonization remain positive. Once Draft Law No. 10225-d is finally adopted, Ukraine will be able to build an integrated regulatory system, including a unified licensing model, clear rules for issuing crypto-assets and stablecoins, and coordinated tax regulation.

For the market, this will mean both benefits and new requirements. On the one hand, an increase in the level of protection, growing investor confidence, and integration into the European market are expected. On the other hand, compliance will intensify, identification procedures will expand, and the level of anonymity of transactions will decrease.

In strategic terms, harmonization with MiCA will facilitate the transformation of the Ukrainian crypto market into a transparent and predictable segment of the European digital space. This will create conditions for attracting investment, developing legal business, and integrating with the traditional financial system.

Thus, harmonization with MiCA is not only a matter of fulfilling Ukraine's international obligations but also an important tool for enhancing its competitiveness in the global crypto-asset market.