

Tax aspects of tokenization from the Perspective of Czech and foreign legislation

Abstract in English

The aim of this thesis is to provide a comprehensive overview of tax obligations related to the tokenization process using Distributed Ledger Technology from the perspective of Czech law, analyze problematic areas of applicable tax legislation and suggest potential changes of current tax law. This diploma thesis also aims to provide a comparative view of the taxation of the tokenization process in selected countries of the world and thus evaluate the different tax obligations from the perspective of the tax subject.

The first part of the thesis first briefly introduces cryptoactive assets and then describes their legal nature. Furthermore, this section discusses the definition of cryptoassets in relation to cryptocurrencies and the definition of the term token. The second part is focused on a closer analysis of the tokenization process and the tokens resulting from it. The focus is mainly on the classification of tokens and the comparison of different approaches to classification by different jurisdictions. Depending on the purpose of tokenization, tokens of different legal nature with different tax obligations are issued, therefore it is crucial to define the types of issued tokens and determine their legal definition.

The third part provides an analysis of tax obligations affecting token issuers from the perspective of Czech law and also outlines the problematic areas that arise in the taxation of tokenization. The fourth and fifth parts deal with the approach to tokenization taxation by foreign legislation. The UK regulatory approach to tokenization is discussed in part four and the US regulatory approach to tokenization is discussed in part five.

The final part evaluates foreign tax regimes in comparison with the Czech one and proposes what changes should be made to establish a more efficient, but at the same time better predictable tax regime for token issuers.

Key words: tokenization; cryptoassets; tax regime; utility token; security token