**INSOL EUROPE**

**DIGITAL ASSETS CASE SUMMARIES**

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| **Overview** |
| **Case Citation** | **3-19-1859**Complaint of EuroManagement OÜ for annulment of Tax Decision No. 12.2-3 / 041378-16 of 17.09.2019 of the Tax and Customs Board and Order No. 13.11 / 61966 of 17.10.2019 |
| **Date of judgment** | 23 September 2020 |
| **Country** | Estonia |
| **Original Language of Judgment** | Estonian |
| **Court** | Tallinn Circuit Court |
| **Subject matter/catchwords** | The possibility of taxing the mining of cryptocurrencies. |
| **Decision summary** | The activity of the applicant EuroManagement OÜ in mining cryptocurrencies cannot be considered as the provision of a service for remuneration in the context of VAT taxation. |
| **Digital asset involved (e.g. Bitcoin, Ethereum, Ripple etc.)** | Ethereum |
| **Valuation issues** | N/A |
| **Expanded Case Description** |
| **Applicant** | EuroManagement OÜ |
| **Identity of Insolvency Practitioner (if applicable)** | N/A |
| **Authorities considered by this case (categorised by country)** | Judgment of the Court of Justice of the European Union of 22.10.2015 No. C-264/14. |
| **Domestic legislation applied** | Value-Added Tax Act |
| **Factual background**  | Between October 2016 and January 2018, the applicant declared a total input VAT of 280,412.44 euros. According to the tax decision, the applicant was not entitled to deduct input VAT in the amount of EUR 276,012.44 (280,412.44 to 4,400), as it was not input tax on goods used for taxable turnover. |
| **Legal issues**  | * Is there a link between cryptocurrency mining and remuneration?
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| **Reasoning** | * A service is subject to VAT only if there is a direct link between the service provided and the consideration received by the taxable person for it. A direct link is established when there is a legal relationship between the service provider and the recipient of the service, the related activities of which are reciprocal, and the consideration received by the service provider corresponds in value to the service provided to the recipient.
* Given the nature of cryptocurrency mining, it is generally not possible to identify the specific person to whom miners provide a service. There is no person with whom the complainant could enter into a transaction and there is also no legal relationship by which one person undertakes to provide a computing service and the other person pays for it. Thus, there is no link between cryptocurrency mining and remuneration. In the absence of the other party to the transaction, it must be held that the applicant did not provide a service which would be subject to VAT.
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| **Further information (e.g. liquidator’s website)** | The process of mining cryptocurrency:The applicant provides a computing power service with its own computers for Ethereum's blockchain technology. The computers in this block circuit, in which the same data is stored, help to keep the database running. With blockchain technology, data is stored block by block, and in order to securely close one block and start a new one, computers connected to the blockchain network must find a 32-digit cryptographic code called a solution. Once one computer has found a suitable solution, the other computers check that it is correct. The finder of a suitable solution is automatically paid a fee in tokens, which in the case of the Ethereum block chain are called ethereums. The process of finding and paying for codes is called cryptocurrency mining. The applicant collects the etherums received in his electronic cryptocurrency bag. When exchanging cryptocurrency for a traditional currency, the Kraken trading environment (kraken.com) is used, which makes a payment to the applicant's bank account. The block chain has no owner or manager. |