

Overview of Virtual Currencies and Tax Perspectives

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As of December 13, 2024, the National Tax Bureau has uncovered approximately NT\$129 million in unreported virtual currency transaction income and imposed additional taxes and fines totaling about NT\$34 million. The Ministry of Finance emphasizes that individuals or businesses engaged in virtual currency trading must calculate taxable income according to the law. Virtual currencies are primarily categorized into two types: "Securities Virtual Currency" and "Non-Securities Virtual Currency," each subject to different tax regulations.

Securities Virtual Currency

Securities virtual currencies refer to virtual currencies or digital assets that function similarly to securities. Their main characteristics include:

1. **Investment Attributes:** Investors purchase these virtual currencies with the expectation of earning investment returns, such as dividends or value appreciation.
2. **Equity or Revenue Sharing:** These virtual currencies may represent ownership (e.g., equity) in a company or project or grant holders the right to share in the project's revenue.
3. **Similarity to Traditional Securities:** These virtual currencies resemble stocks, bonds, or other financial instruments in function and may be issued via smart contracts, offering holders voting rights or financial distributions.
4. **Regulated by Law:** Securities virtual currencies are often subject to securities-related laws. In some jurisdictions, these assets may be classified as securities and must comply with public issuance and disclosure regulations.

Examples

- **Initial Coin Offering (ICO):** Used as a fundraising tool to support project development, operations, or expansion.
- **Governance Tokens in Decentralized Finance (DeFi) Projects:** Grant holders the right to participate in project governance and offer revenue-sharing opportunities.

Tax Regulations

For individuals or businesses trading securities virtual currencies:

- **Individuals:** Transaction gains or losses fall under the "Securities Transaction Gains or Losses" as stipulated in Article 4-1 of the Income Tax Act, and income tax is currently exempted.
- **Businesses:** Gains or losses must still be included in the basic income under the "Income Basic Tax Act" (Minimum Tax System).

Non-Securities Virtual Currency

Non-securities virtual currencies are primarily used as mediums of exchange, value storage, or for specific applications within platforms, rather than as investment tools or representatives of ownership. Their characteristics include:

1. **Transaction or Payment Function:** These virtual currencies are primarily used for payments or transactions, such as Bitcoin (BTC) or Ethereum (ETH).
2. **No Additional Rights:** Holders typically do not enjoy ownership, revenue-sharing, or voting rights in any project.
3. **Lack of Investment Attributes:** The value of these virtual currencies is usually driven by market supply and demand, rather than project performance.
4. **Application in Specific Systems:** Examples include in-game tokens or tokens within decentralized applications (DApps).

Examples

- **Bitcoin (BTC):** A digital currency mainly used as a store of value and medium of exchange.
- **Ethereum (ETH):** Supports smart contracts and decentralized applications on the Ethereum blockchain.
- **Stablecoins:** Such as USDT and USDC, typically pegged to fiat currencies (e.g., USD) and used for value stability in transactions.

Tax Regulations (Taiwan)

- **Individuals:** Income from trading non-securities virtual currencies is classified as "Property Transaction Income" and must be included in comprehensive income tax.
- **Businesses:** Transaction income must be included in the business income tax base.

Category		Securities Virtual Currency	Non-Securities Virtual Currency
Characteristics		1. Investment attributes 2. Equity or revenue sharing 3. Similarity to traditional securities 4. Regulated by law	1. Transaction or payment function 2. No additional rights 3. Lack of investment attributes 4. Application in specific systems
Examples		1. Initial Coin Offering (ICO) 2. Governance tokens in DeFi projects	1. Bitcoin (BTC) 2. Ethereum (ETH) 3. Stablecoins
Taxation of Transaction Income	Individuals	Securities transaction gains, exempt from income tax	Property transaction income, included in comprehensive income tax
	Businesses	Gains included in basic income	Income included in business income tax