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EDITORIAL – *General Editors: Dale Pinto and Kerrie Sadiq*
Special Guest Editor: Caroline Malcolm

Contemporary Tax Issues Relating to Blockchain Technologies 207

ARTICLES

Blockchain to the Rescue: Improving Taxpayer Engagement with Blockchain –
Christina Allen and Vidyasagar Potdar

Although tax authorities are increasingly moving to digitalisation, there has been limited use of blockchain for assisting tax administration and compliance. This article discusses the potential use of blockchain technology for this purpose. In particular, the Australian tax system is considered in light of the challenges identified in the recent official report published by the House of Representatives Standing Committee on Tax and Revenue. These challenges result from the rising gig economy, complex work-related deduction rules for individual taxpayers and, more generally, tax evasion in the cash economy. To overcome these challenges, this article proposes a blockchain solution that increases taxpayer engagement with the tax and superannuation system. Not only would this solution benefit the Australian Government’s ability to raise revenue and induce a good compliance culture, but a similar solution could be adopted in other jurisdictions. 211

Shifting to More Equitable and DAO-based Global Economies: The Case for Micro Auto-taxing Standards and a Framework for Auto-tax Revenue-sharing – *Joni Pirovich*

On 20 October 2021, Australian Liberal Senator Andrew Bragg recommended that Australia introduce into law a limited liability decentralised autonomous organisation (DAO). The DAO is a fast-emerging vehicle for global digital commerce that is more transparent, democratic and better able to promote economic agency and wellbeing in individuals than the traditional company structure. As individuals, innovators and countries move to digital identity systems and natively digital money, opt-in micro auto-taxing of digital transactions and a global tax-sharing framework will become necessary to collect and distribute tax revenue efficiently, fairly and transparently. The DAO structure, if tax standards are developed early, is a healthy threat to the global corporate tax base. If tax standards are not developed early, DAOs will be a vehicle for corporate tax arbitrage. 221

“Catch Me If I Chain”: Latest Developments on Extending Reporting Obligations and Automatic Exchange of Information to Cryptocurrency and Crypto-Asset Transactions – *Luisa Scarcella*

Since their advent, cryptocurrencies and crypto-assets have been making headlines for both their promises and their perils, including their connection to financial crime – notably, money laundering and tax evasion. However, tax evasion can also result from lack of information on reporting and tax obligations, especially as these new types of assets can be subject to tax provisions and qualifications that differ across jurisdictions. As such, policy-makers and legislators at different levels are investigating how to manage the risks arising from this technology. Exchanging information between residence and trading venues is the only effective way for a tax authority to police trading activity. 234

Taxation of Stablecoins: Navigating the Income Tax Considerations – Noopur Trivedi and Jitesh Golani

Cryptocurrency found its genesis in the need to ameliorate the global financial system. However, due to extreme volatility, cryptocurrencies have generally served more as a speculative asset than a means of payment, which has eluded their mass adoption. To counter this, a more stable form of cryptocurrency was developed – aptly named “stablecoins”. While some jurisdictions have specific tax guidance for cryptocurrencies, many are still at a nascent stage, and so far there has been little discussion around the income tax implications of stablecoins in particular. This article provides an overview of stablecoins and their variants, and explores the possible income tax implications. 242

Donating Digital Money to Deductible Gift Recipients: Decrypting the Australian Tax Implications – Eileen Liu, Bridgid Cowling and Shaun Cartoon

In this article we consider Australian income tax and governance issues that arise when a taxpayer makes a gift of cryptocurrency to a deductible gift recipient (DGR). Dealings in cryptocurrency are becoming increasingly mainstream. The Australian tax law that governs these dealings is a minefield and there are a number of important considerations for taxpayers and DGRs when making or accepting a gift of cryptocurrency. In this article we examine the circumstances under which a donor taxpayer can claim an income tax deduction for a gift of cryptocurrency and highlight that making a gift of cryptocurrency directly to a DGR is often not a tax-advantaged solution. We then explore some additional income tax considerations for the donor taxpayer. Finally, we consider some practical matters for the recipient DGR. 249

A Framework for Understanding the Taxation of Digital Tokens – Vincent Ooi

This article lays out five propositions on the taxation of digital tokens: (1) digital tokens are not a single monolithic asset class attracting uniform tax treatment; (2) the division into payment, utility and security tokens should not be blindly adopted into tax law; (3) the three classes are not mutually exclusive – hybrids may exist; (4) the involvement of digital tokens, in and of itself, rarely changes the treatment of a taxable event; and (5) tokens of the same class may be taxed in broadly similar ways across a variety of common taxable events. 260

Taxation of Non-fungible Tokens – Wendy Lim

This article provides high-level commentary on the Australian tax implications of holding, selling and trading non-fungible tokens (NFTs) for Australian residents in various scenarios. It considers real-life queries posted in the ATO’s online forum concerning the application of the trading stock rules and capital gains tax (CGT) regime to NFT artwork, Dapper credits and CryptoKitty NFTs. The personal use asset and collectables CGT exemptions are also discussed with reference to the ATO’s views and enforcement focus. 270

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