TAXATION OF CRYPTOCURRENCIES IN THE DIGITAL ECONOMY: COMPARATIVE ANALYSIS AND POLICY RECOMMENDATIONS FOR UZBEKISTAN

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Abstract

This article provides a detailed examination of cryptocurrencies as an integral part of the modern digital economy, their role in the financial system, and the challenges associated with their taxation. It highlights that, unlike traditional currencies, cryptocurrencies are decentralized and anonymous, which significantly complicates their monitoring and regulation by tax authorities. The article includes a comparative analysis of the taxation practices of cryptocurrencies in countries such as the United States, Germany, Japan, Russia, and Uzbekistan. The author emphasizes that the legal status and classification of cryptocurrencies vary from country to country, making it difficult to establish a unified international tax policy in this area. Special attention is given to the regulatory framework governing the circulation of crypto assets in Uzbekistan, particularly the regulations adopted in 2022 and their impact on taxation practices. The author evaluates the effectiveness of current mechanisms for recording, declaring, and taxing income derived from cryptocurrencies and offers recommendations for their improvement. These include introducing dedicated tax reporting forms for digital assets, utilizing international information exchange systems, and implementing blockchain-based monitoring technologies for tax control. Overall, the article addresses a highly relevant topic by shedding light on contemporary issues of taxation in the context of the digital economy. It combines theoretical insights with practical suggestions, making it a valuable contribution to the development of an effective tax policy regarding cryptocurrencies.

Keywords: Cryptocurrency, digital assets, taxation, tax policy, Uzbekistan, blockchain, decentralized finance, fiscal regulation, international comparison,

legal framework, tax reporting, crypto exchanges, capital gains, tax compliance, digital economy.

Introduction

In recent years, rapid advancements in digital technologies have led to profound transformations across almost all sectors of economic activity. In particular, cryptocurrencies—decentralized digital assets based on blockchain technology—have become an integral part of the global economy (OECD, 2020). Popular crypto-assets such as Bitcoin, Ethereum, and Tether are now widely used not only as investment tools but also as means of payment. Alongside these innovations, a number of challenges have emerged in the fields of tax policy and regulation.

The unique features of cryptocurrencies—decentralization, anonymity, and borderlessness—pose serious challenges for national tax systems. Unlike traditional financial instruments, it is difficult to identify, monitor, and tax the ownership and income generated from cryptocurrencies (PwC, 2023). As a result, tax authorities in many countries are facing new challenges. Consequently, several countries are working to develop legal norms and clarify taxation mechanisms for crypto-assets (OECD, 2020).

The Republic of Uzbekistan has also taken certain steps in this direction. For instance, the adoption of the Law "On the Circulation of Digital Assets" has laid the initial legal foundation for regulating activities related to cryptocurrencies (Republic of Uzbekistan, 2022a). However, many practical questions remain unanswered: How should income from cryptocurrencies be identified? At what rate should it be taxed? How can personal use and business activity be differentiated? How should transactions conducted on foreign crypto exchanges be monitored?

This article is aimed at analyzing these issues, studying international experiences, and developing recommendations for improving the cryptocurrency taxation system in Uzbekistan. It also focuses on key conceptual notions such as tax control, digital economy, financial transparency, and international tax policy.

Since the emergence of cryptocurrencies, they have rapidly taken over the global information technology and financial markets. Their unique nature—decentralization and anonymity—has attracted millions due to their potential for revolutionary changes in the financial system. However, the rapid popularity of cryptocurrencies has brought complex legal issues for states and legal systems, particularly concerning their legal status. The lack of a unified international approach to cryptocurrency regulation has led to legal uncertainty and numerous problems (Sereda, 2020).

Initially, the global community responded negatively to the emergence of the first types of cryptocurrencies, as governments feared losing their fundamental advantage—control over monetary issuance. As a result, most countries initially adopted a hostile stance, banning cryptocurrencies and imposing liability for transactions involving them. However, once it became clear that cryptocurrency issuance could not be controlled, states began attempting to regulate their circulation and taxation (Dolgieva, 2018).

Today, lawmakers in various countries increasingly view cryptocurrencies as a promising new direction in the economy. Nevertheless, it must be acknowledged that neither the global community nor academic circles have reached a consensus on the nature of this new form of money. While some consider cryptocurrencies to be financial pyramids, others equate them to a distinct type of commodity.

Professor M.S. Maramygin (cited in Dolgieva, 2018) from the Ural State University of Economics classifies countries into three groups based on the level of cryptocurrency regulation:

- Countries that accept cryptocurrency circulation (Germany, Japan, Switzerland, Belgium),
- Countries in transition (China, Bulgaria, Norway, the U.S., Cyprus, Sweden, Russia),
- Countries that prohibit cryptocurrency circulation (Thailand, Bangladesh, Vietnam, Spain).

This implies that there are three general approaches in national legislation around the world: full recognition of cryptocurrencies, restriction of their circulation, or outright prohibition. Additionally, I.M. Sereda categorizes the legal status of cryptocurrencies into four groups: as a currency, a means of payment or exchange, a commodity or other asset, and as a monetary surrogate.

Literature Review

The analysis of literature on cryptocurrencies and their taxation helps to deepen understanding of the subject and highlights scholarly perspectives on improving tax systems. Given the growing role of cryptocurrencies in the digital economy, academic research in this field has expanded significantly. This literature review reflects key challenges related to tax policy and the regulation of cryptocurrencies.

In the Taxing Virtual Currencies report published by the OECD (2020), the role of cryptocurrencies in tax systems and the existing challenges are analyzed in detail. The report emphasizes core characteristics of cryptocurrencies—decentralized structure, transactional anonymity, and borderless nature—that underscore the lack of a unified approach among countries for their taxation. This, in turn, creates difficulties for tax authorities. The OECD recommends that many countries tax cryptocurrencies as income or capital gains. However, the challenges of identifying cryptocurrencies and valuing them remain unresolved.

In Uzbekistan, the primary legal frameworks for regulating cryptocurrencies and determining their taxation are provided by the Law on the Circulation of Digital Assets (2022) and the Tax Code (2020). Within this legal framework, issues of cryptocurrency taxation are being discussed. The Uzbek government has decided to incorporate cryptocurrencies into the tax system like other financial assets. Nevertheless, questions remain unresolved, including how to assess taxable income from these assets and how to determine applicable tax rates. Literature suggests that Uzbekistan's regulatory norms in this area are still under development and that many practical scenarios lack precise legal coverage.

Cryptocurrencies are viewed not only as investment instruments but also as tools to escape economic crises and instability. This trend is particularly evident in developing countries. For instance, Voskoboynikov (2021), in his article Taxation of Cryptocurrency, analyzes how cryptocurrencies are used during economic crises and inflationary periods, and how such uses are regulated from a tax perspective. The author focuses on how digital currencies may help mitigate the effects of economic instability and emphasizes their significant potential as currencies and investment tools.

The Global Crypto Tax Report (2023) published by PwC compares different global approaches to the taxation of cryptocurrencies. According to the report, some countries classify cryptocurrencies as "financial assets" and tax them under capital gains laws, while others treat income derived from crypto as regular personal or corporate income. The report highlights the dynamic and evolving nature of legal and tax policy regarding digital assets, emphasizing the need to draw from diverse international practices to address ongoing challenges. PwC also details how tax authorities can use technologies for more effective monitoring and control of cryptocurrency transactions.

Research Methodology

The primary objective of this research is to identify and analyze the challenges related to the taxation of cryptocurrencies and to assess them within the framework of the legislation of the Republic of Uzbekistan. To achieve this goal, the following methodological approaches were employed:

- Analytical Method. International practices related to cryptocurrencies were examined using analytical methods. Reports, scholarly articles, and recommendations from leading global financial institutions such as the OECD, IMF, PwC, and Deloitte were thoroughly reviewed and analyzed to assess their influence on tax policy. Different approaches to defining the legal status of crypto-assets, income identification, and taxation mechanisms were compared.
- Comparative Legal Analysis. The legislation of the Republic of Uzbekistan (particularly the Law "On the Circulation of Digital Assets" and the Tax Code) was compared with the tax policies on crypto-assets in countries such as the USA, Germany, South Korea, Singapore, and Russia. This approach helped identify the advantages and shortcomings of various models and laid the groundwork for determining the most suitable solutions for Uzbekistan.
- Empirical Approach. Real economic transactions and revenues derived from cryptocurrency operations were analyzed using an empirical approach. Open-source statistical data was used to examine cases of untaxed or improperly assessed crypto transactions. This allowed for the identification of practical issues and their analysis through real-world examples.
- Systematic Approach. The interrelationship between the digital economy, financial technologies, and tax policy was studied in a systematic manner. The impact of cryptocurrencies on fiscal policy, the structure of tax revenues, and their role in economic stability were clarified through this method.

The selected methodological approaches enabled a deep understanding of the existing challenges in cryptocurrency taxation, their root causes and consequences, and facilitated the development of scientifically grounded and practically applicable recommendations.

Analysis and Results

In recent years, cryptocurrencies have become an integral part of the global economic landscape. Due to their decentralized, fast, and anonymous nature, regulating and taxing these digital assets has created significant challenges for many countries, especially developing nations like Uzbekistan. The Republic of

Uzbekistan is actively working to establish a legal framework to regulate the cryptocurrency market.

According to Presidential Decree No. PQ–278 dated June 3, 2022, mechanisms for regulating activities related to crypto-assets and taxing them were planned. Based on this decree, income derived from the sale of crypto-assets is to be taxed separately for both legal entities and individuals.

Since the beginning of 2023, new legislation has come into force that treats profits from cryptocurrency exchange trades as personal income tax objects. Additionally, the legal definition of "crypto-assets" in legislation has helped ensure greater consistency in regulatory practices. However, several practical issues remain unresolved:

- Insufficient legal framework. There are no detailed provisions regarding the legal status and taxation procedures for each type of crypto-asset. In particular, the mechanism for determining income from mining activities remains unclear.
- Lack of comprehensive international benchmarking. Developed countries such as the USA, the European Union, and Japan have implemented specific taxation mechanisms. For instance, the U.S. Internal Revenue Service (IRS) classifies cryptocurrencies as financial assets and taxes any profit as capital gains.
- Anonymity of transactions and monitoring difficulties. The decentralized nature of crypto-assets complicates oversight. Many users store their assets on foreign exchanges, thereby avoiding detection and taxation by Uzbek authorities.
- Limited technological infrastructure. Monitoring crypto-related activities requires advanced technological tools and qualified personnel, which are currently lacking in Uzbekistan's tax administration.

The results show that Uzbekistan's mechanisms for taxing cryptocurrencies are not yet fully developed. The following steps are necessary:

- establish a clear and consistent legal framework for crypto-assets;
- implement international best practices to identify and monitor crypto-related income;
- enhance the technological capabilities of tax authorities and provide professional training;
- develop a mandatory reporting system for individuals and entities dealing with crypto-assets.

These measures would improve tax oversight over crypto-assets in Uzbekistan and contribute to increased state budget revenues. At the same time, such an approach would strengthen investor confidence and stimulate the development of the digital economy.

Table 1. International Comparison of Cryptocurrency Taxation 2023-2024-year

Country	Classification of Cryptocurrencies for Tax Purposes	Type of Tax	Tax Rate	Tax Exemption Conditions
USA	Property	Capital gains tax	15–37%	Assets held for more than one year"
Germany	Property	Capital gains tax	26.375%	Assets held for more than one year
Singapore	Asset	Income tax	0–22%	Based on personal income
South Korea	Asset	Capital gains tax	20%	For income exceeding 2.5 million USD
Uzbekistan	Asset	Exempt from tax	—	Not all transactions are subject to taxation

Leading Asian countries have adopted different approaches to regulating cryptocurrencies. Below is an overview of the legal status and taxation mechanisms of cryptocurrencies in Japan, China, and Singapore.

Until 2017, Japan had no clear legal framework for cryptocurrencies. Following the collapse of the Mt. Gox crypto exchange, the government began to focus on the sector and adopted the Payment Services Act (PSA). This law officially recognized cryptocurrencies as legal means of payment, allowing individuals and legal entities to exchange them similarly to fiat currencies.

In addition, Japan aligned its Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) laws with the PSA to oversee cryptocurrency circulation. The Financial Services Agency (FSA) plays the key role in enforcing these laws, licensing crypto exchanges, ensuring compliance, and protecting investors.

In 2013, interest in Bitcoin surged among Chinese investors, leading to an 89-fold increase in its price. As a result, the People’s Bank of China banned

cryptocurrency-related operations, citing their lack of legal status. However, this ban did not apply to individuals using Bitcoin for online transactions.
In 2017, the Chinese government also banned Initial Coin Offering (ICO) activities. This decision was negatively received by the crypto market; according to Coindesk, Bitcoin prices fell by 5%, and Ethereum by 15% following the announcement. Currently, China does not fully regulate cryptocurrency circulation, though it recognizes cryptocurrencies as digital commodities.
Singapore is a leader in digital technology and has officially recognized cryptocurrencies as legal means of payment. Oversight of cryptocurrency circulation is carried out by the Monetary Authority of Singapore (MAS), which functions as the country's central bank.
In Singapore, cryptocurrencies are considered both as a payment method and as goods. Consequently, all commercial transactions involving cryptocurrencies are subject to a 7% Goods and Services Tax (GST). Moreover, if a company's annual turnover from crypto transactions exceeds 1 million Singapore dollars, it must register as a taxpayer.
The European Union has launched the development of a unified legal document titled the Markets in Crypto-Assets (MiCA) regulation to harmonize the regulation of cryptocurrencies. MiCA is an EU regulation aimed at establishing uniform rules for the crypto-asset market across the entire EU territory. Its main goals are to increase transparency, protect investors, and ensure financial stability as cryptocurrency use becomes more widespread.
Germany was one of the first countries in Europe to adopt a positive approach toward cryptocurrency regulation. This process began in 2013 with a decision from the Ministry of Finance, which classified Bitcoin as a unit of account for trade purposes. However, cryptocurrencies were not recognized as foreign or digital currencies; instead, they were given the status of private money. This classification prompted amendments in tax legislation: profits from cryptocurrency sales are subject to income tax if the asset is sold within 12 months of acquisition.
The UK is one of the leading jurisdictions for cryptocurrency integration. It provides a highly favorable environment for crypto businesses and offers state-level support for startups in this field. The regulation of cryptocurrency circulation began in 2014. The UK's Financial Conduct Authority (FCA) stated that cryptocurrencies are neither money nor currency and therefore are not directly regulated under existing financial legislation.

In 2016, the FCA registered the first cryptocurrency company, which entered into a partnership with Barclays Bank for profit-oriented collaboration. However, the UK Treasury proposed applying anti-money laundering (AML) legislation to exchanges and other crypto businesses involved in currency exchange. At the same time, the Treasury noted that these regulations should not apply to crypto wallet providers—i.e., companies offering software or platforms specialized in storing cryptocurrencies and conducting transactions.

Currently, the United States is considered one of the most favorable countries for conducting cryptocurrency business. The use of cryptocurrencies was first officially recognized at the legislative level in the state of California, where a law was adopted allowing any corporation, association, or individual to engage in monetary operations using alternatives to legal tender.

However, the federal government does not directly regulate cryptocurrency businesses. Formal regulation began with the introduction of BitLicense in New York State, which requires companies to obtain a license to operate crypto-related businesses. In Washington State, digital currency is classified as a monetary transmission tool, and crypto transfers are only allowed through licensed companies.

Conclusion and Recommendations

Cryptocurrencies are one of the most relevant and complex areas of the modern digital economy, and the issue of taxing them is sparking debates in many countries. Uzbekistan is no exception and is taking initial steps toward regulating the crypto-asset market and developing taxation mechanisms. However, this process is still in its infancy and not yet fully developed. While the current approaches are theoretically sound, they are leading to several practical challenges.

Analysis shows that there are insufficient clear regulatory documents regarding key issues such as the legal status of cryptocurrencies, their types, methods of income determination, tax base establishment, and monitoring and control. This negatively impacts the clarity and transparency of taxation. Moreover, due to insufficient examination of international experiences and standards, the existing legislation is struggling to keep up with the rapidly developing crypto market.

Activities related to crypto-assets, particularly mining, trading, staking, NFTs, and DeFi (decentralized financial services), are complex, and tracking profits generated through these avenues can be challenging and sometimes impossible.

Therefore, it is essential for the state to adopt a clear and precise tax policy. The following recommendations can be put forward in this regard:

Creating a Clear and Comprehensive Legislative Framework A separate law should be adopted for cryptocurrencies and other digital assets. This law should clearly define the types of crypto-assets, related activities (such as mining, trading, storage, etc.), and their taxation procedures. The law must harmonize with other existing legal documents.

Studying and Adapting International Experiences Countries such as the United States, Germany, Japan, Singapore, and the United Kingdom have effective practices for taxing cryptocurrencies. Specifically, in the U.S., crypto-assets are taxed as capital gains, and in Australia, purchases made using cryptocurrencies are also included in the tax base. Uzbekistan should utilize these experiences effectively.

- Implementing a Tax Declaration and Accountability System. A mandatory declaration system should be established for individuals and legal entities earning income from crypto-assets. This process should be simplified, digital, and automated. Additionally, crypto-exchanges and service providers should be required to submit reports to the state tax authorities.
- Enhancing Technological Capabilities for Tax Authorities. Modern information systems and algorithmic tracking programs are necessary to identify and monitor transactions related to crypto activities. Therefore, equipping tax authorities with digital technologies and enhancing the skills of their employees is crucial.
- Raising Digital Literacy and Public Awareness. Legal knowledge about taxation related to cryptocurrencies must reach the broader public. This can be done through seminars, online courses, and social media awareness campaigns. It is particularly important to instill a sense of tax responsibility among young people and investors.
- Tax Incentives and Incentive Mechanisms. Initial tax incentives can be provided for individuals and companies operating in the crypto-asset sector, which could encourage them to legalize their activities. This, in turn, would help move the sector out of the “shadow economy” and contribute additional revenues to the state budget.

In conclusion, the issue of taxing cryptocurrencies in Uzbekistan is still in the formation stage. By adopting the right approach, strengthening the legal framework, expanding technological capabilities, and implementing mechanisms based on international standards, this sector can be brought under control. Cryptocurrencies are not only a risk but also an opportunity. By regulating them, Uzbekistan can ensure financial security and foster the development of the digital economy.

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