

**TAXATION MECHANISMS OF CRYPTOASSETS AND VIRTUAL CURRENCIES**

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**Annotation.** This article examines theoretical and practical aspects of taxation mechanisms for cryptoassets and virtual currencies. The study analyzes the economic nature of cryptoassets, international practices of cryptocurrency taxation, and the regulatory framework currently implemented in the Republic of Uzbekistan. Particular attention is paid to the challenges faced by tax systems in the context of blockchain technology development. The findings highlight the importance of developing effective taxation mechanisms that ensure financial transparency while supporting innovation in the digital economy.

**Keywords:** cryptoassets, virtual currency, taxation mechanism, blockchain technology, digital economy, tax policy.

**Annotatsiya.** Mazkur maqolada kriptoaktivlar va virtual valyutalarni soliqqa tortish mexanizmlarining nazariy va amaliy jihatlari tahlil qilingan. Tadqiqotda kriptoaktivlarning iqtisodiy mohiyati, ularni soliqqa tortishning xalqaro tajribasi hamda O‘zbekiston Respublikasida amal qilayotgan huquqiy-me’oriy tartibga solish tizimi o‘rganilgan. Shuningdek, blokcheyn texnologiyalarining rivojlanishi sharoitida soliq tizimida yuzaga kelayotgan yangi muammolar va ularni hal etish yo‘llari tahlil qilingan.

**Kalit so‘zlar:** kriptoaktivlar, virtual valyuta, soliqqa tortish mexanizmi, blokcheyn texnologiyasi, raqamli iqtisodiyot, soliq siyosati.

**Аннотация.** В статье исследуются теоретические и практические аспекты механизмов налогообложения криптоактивов и виртуальных валют. Рассматриваются экономическая сущность криптоактивов, международный опыт их налогообложения, а также действующая система правового регулирования в Республике Узбекистан. Особое внимание уделяется проблемам налогового администрирования в условиях развития блокчейн-технологий.

**Ключевые слова:** криптоактивы, виртуальная валюта, механизм налогообложения, блокчейн, цифровая экономика, налоговая политика.

## **INTRODUCTION**

The global financial system has undergone profound transformation with the emergence of blockchain technologies and digital assets. Cryptoassets and virtual currencies have evolved from experimental technological concepts into widely traded financial instruments used for investment, payments, and decentralized financial services. The expansion of this market has created new challenges for governments, particularly regarding legal regulation and taxation. The decentralized structure of cryptocurrencies, such as Bitcoin and Ethereum, complicates the identification of taxpayers and taxable transactions. Unlike traditional financial assets, cryptoassets operate without centralized intermediaries, which creates difficulties in monitoring financial flows and ensuring tax compliance. As a result, governments around the world are developing new regulatory frameworks and taxation mechanisms to address these issues.

International experience demonstrates diverse approaches to crypto taxation. Some countries classify cryptoassets as property, subjecting them to capital gains tax, while others treat them as financial assets or commodities. Several jurisdictions have introduced reporting obligations for cryptocurrency exchanges and digital asset service providers to enhance tax transparency. Uzbekistan has also begun forming a regulatory framework for digital assets as part of its digital economy strategy. Cryptoassets are legally recognized but are not considered legal tender and cannot be used as a means of payment for goods and services. The government has established a licensing system for crypto exchanges, mining pools, and other virtual asset service providers under the supervision of the National Agency of Perspective Projects.

A distinctive feature of Uzbekistan's regulatory approach is the tax exemption applied to most crypto-related transactions, including capital gains and mining income. This policy aims to encourage the development of blockchain technologies and attract foreign investment in the digital economy. Given the growing importance of digital assets in global finance, studying taxation mechanisms for cryptoassets is essential for designing effective fiscal policies. This research therefore analyzes theoretical foundations, international practices, and the current regulatory framework in Uzbekistan to identify challenges and propose improvements in crypto taxation systems.

#### **LITERATURE REVIEW**

The issue of taxation of cryptoassets and virtual currencies has attracted increasing attention from economists, legal scholars, and international organizations. The rapid expansion of blockchain technologies has created new challenges for tax administration, financial regulation, and fiscal policy. In the international academic literature, cryptoassets are often analyzed from the perspective of digital financial innovation and institutional regulation. According to Nakamoto, the emergence of Bitcoin introduced a decentralized payment system that operates without financial intermediaries, fundamentally transforming traditional financial structures. Later studies by Yermack emphasized that cryptocurrencies possess characteristics similar to speculative financial assets rather than conventional currencies, which influences their treatment within taxation systems.

Several researchers highlight that the classification of cryptoassets plays a key role in determining their tax treatment. Böhme et al. argue that most governments treat cryptocurrencies as property or digital assets, which leads to the application of capital gains taxation. Similarly, Marian notes that the pseudonymous nature of blockchain transactions complicates tax enforcement and increases the risks of tax evasion. International organizations have also contributed significantly to the discussion on crypto taxation. The OECD has developed policy recommendations aimed at improving transparency in cryptoasset transactions and strengthening international tax cooperation. These recommendations emphasize the importance of reporting requirements for cryptocurrency exchanges and digital asset service providers.

Within the context of developing economies, scholars emphasize the importance of balanced regulation. Excessive taxation may hinder innovation and push crypto-related activities into informal markets. Therefore, some countries adopt preferential tax regimes in order to support fintech development and attract digital investment.

In Uzbekistan, the regulatory framework for cryptoassets is still evolving. Academic studies and policy analyses highlight that the country has adopted a relatively liberal approach to digital assets by providing tax exemptions for most crypto-related transactions while establishing licensing requirements for crypto exchanges and mining activities. This strategy is intended to stimulate technological innovation and promote the development of the digital economy. Overall, the literature demonstrates that cryptoasset taxation remains an evolving field of research. The

development of effective taxation mechanisms requires balancing fiscal interests, technological innovation, and financial transparency.

#### **METHODOLOGY**

The research is based on a comprehensive analysis of international legal documents, academic literature, and national legislation regulating cryptoassets and virtual currencies. The study examines theoretical and practical aspects of taxation mechanisms through several methodological approaches.

The analytical method was applied to evaluate the economic nature of cryptoassets and their classification within existing tax systems. Special attention was given to the identification of taxable events, including trading, mining, staking, and token issuance.

The comparative method was used to analyze different taxation models implemented in various countries. This approach made it possible to identify similarities and differences between national tax regimes and assess their effectiveness.

The institutional approach was applied to examine the regulatory framework governing cryptoassets in Uzbekistan. The research considered the provisions of the Tax Code of the Republic of Uzbekistan, presidential decrees regulating digital assets, and the licensing requirements established for virtual asset service providers.

Statistical and empirical information from international organizations and research publications was also used to evaluate the economic scale of the crypto market and its potential fiscal implications.

#### **RESULTS**

The analysis shows that taxation of cryptoassets generally depends on how governments classify digital assets within their legal and economic frameworks. In most jurisdictions, cryptocurrencies are treated either as property, financial assets, or commodities, which determines the applicable tax rules. One of the most common taxation mechanisms is the application of capital gains tax to profits obtained from trading cryptocurrencies. Under this system, taxpayers must pay tax on the difference between the purchase price and the selling price of digital assets. Another widely used mechanism involves income taxation of crypto-related earnings, including mining rewards, staking income, and payments received in cryptocurrency. Some countries also impose value-added tax or similar indirect taxes on certain crypto transactions, particularly when digital assets are used to purchase goods or services. However, international practice varies considerably due to the novelty and complexity of the crypto ecosystem.

In Uzbekistan, the regulatory model differs significantly from many other countries. Cryptoassets are recognized as digital property but cannot be used as a legal means of payment. Residents are allowed to conduct crypto transactions only through licensed domestic service providers, which ensures state supervision over digital asset circulation. Another notable aspect of Uzbekistan's approach is the preferential tax regime applied to crypto activities. Current regulations provide tax exemptions for most types of crypto transactions, including capital gains from trading and income derived from mining activities. Such policies are intended to stimulate technological innovation and support the development of blockchain-based industries.

At the same time, strict regulatory requirements exist for mining operations and crypto exchanges. Mining entities must register with the relevant regulatory authority and comply with technical and energy consumption regulations. These findings indicate that Uzbekistan is pursuing a strategy aimed at balancing innovation promotion with regulatory oversight of digital asset markets.

#### **DISCUSSION**

The study demonstrates that taxation of cryptoassets remains a complex issue due to several structural characteristics of blockchain-based financial systems. The decentralized architecture of cryptocurrencies allows users to transfer assets without traditional financial intermediaries, making it difficult for tax authorities to monitor transactions and enforce compliance. Another challenge is the pseudonymous nature of blockchain addresses. While all transactions are recorded on public ledgers, identifying the actual owners of digital wallets requires sophisticated technological tools and regulatory cooperation with cryptocurrency exchanges.

International experience suggests that effective taxation of cryptoassets depends largely on cooperation between tax authorities and digital asset service providers. Many countries require cryptocurrency exchanges to report transaction data and customer information to tax administrations. Such measures help improve transparency and reduce tax evasion. However, overly restrictive taxation policies may hinder technological innovation and drive crypto activities into informal markets. For this reason, several countries have introduced preferential tax regimes or regulatory sandboxes to support blockchain startups and fintech development.

Uzbekistan's approach reflects this innovation-oriented strategy. By providing tax exemptions and establishing a licensing framework for crypto businesses, the government seeks to attract investment and position the country as a regional hub for digital finance. Nevertheless, the long-term sustainability of a tax-free regime remains uncertain, as the rapid expansion of the crypto market may require new fiscal policies to ensure fair taxation and budget revenues. Therefore, future reforms may involve gradual integration of cryptoassets into the national tax system while preserving incentives for technological development.

### **CONCLUSION**

The emergence of cryptoassets and virtual currencies has created new challenges for national tax systems and financial regulation. Governments must develop innovative taxation mechanisms capable of addressing the unique characteristics of decentralized digital assets while ensuring fiscal sustainability and financial transparency. The research shows that most countries apply capital gains tax and income tax to cryptocurrency activities, while regulatory frameworks increasingly rely on cooperation with digital asset service providers to monitor transactions.

Uzbekistan has adopted a distinctive approach by recognizing cryptoassets as digital property while maintaining a tax-exempt regime for most crypto-related activities. This policy aims to stimulate blockchain innovation and attract investment in the digital economy. At the same time, strict regulatory oversight of crypto exchanges and mining operations ensures state control over the market. In the future, as the global crypto economy continues to expand, governments may need to refine taxation mechanisms and develop international cooperation frameworks to prevent tax evasion and ensure the sustainable development of digital financial systems.

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