

Bitcoin a vat exempt in finland



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Bitcoin is classified as a financial service by the Finnish regulators. Therefore, the digital currency is granted a VAT-exempt status.

In Finland, Bitcoin is considered a financial service, which is why Bitcoin users are excused from paying VAT for the service.

The country's Central Board of Taxes assessed bitcoin and declared it as a financial service in the ruling 034/2014.

The ruling states that all purchases with bitcoin qualify as banking services under EU Value Added Tax Directive.

Before this ruling was issued, a court categorized bitcoin as a payment instrument.

The new ruling in Finland is a completely different approach to the crypto currency when compared to most other European jurisdictions. Bitcoin is generally treated as a commodity.

While the approach is unique, this Scandinavian nation is not the only one taking this approach. The Federal Public Service Finance in Belgium issued a similar ruling back in September.

The Bitcoin community is still finding out what this changed approach towards Bitcoin means to Finland.

The vice president of Alavara's global tax compliance, Richard Asquith, stated to the International Tax Review that the country's ruling might help alter the way bitcoin is perceived domestically.

He said that Finland has taken bitcoin a step towards being considered as a formal currency by making it a recognized payment instrument.

However, he alerted that the decision, which varies a lot from the EU-wide regulations, could lead to many more regulatory problems.

It is likely that the European central banks will not accept the decision. In that case, wider financial regulation issues would be triggered.

European regulators and legislators are not making any remarks at present. It is expected that they will not issue any clear EU-wide rules on Bitcoin VAT for the next 2 years.

Even though Finland is not following the overall European Union path for the digital currency, the Finnish ruling cites the EU VAT Directive.

This is causing contradiction rooted down to the fact that the European Union does not have any joint crypto currency framework. Because of this, the existing legislation can be interpreted differently by individual nations.

Different countries in Europe seem to have taken some very diverse approaches to Bitcoin taxation and VAT rules.

Some of them seem to apply VAT on all digital currency sales while other nations simply ignore them and leave them unregulated for taxation.

Some countries apply corporate tax or capital gains on bitcoin trading or mining profits.

The European Union has been looking into Bitcoin and other digital currencies for a while but its response has been considerably slow.

Apart from some consumer warnings and opinions, there seems to be no push for legislative uniformity.

Towards the beginning of 2014, the European Banking Authority warned financial institutions about getting tangled into the crypto currency space until the industry is regulated.

In March, the European Central Bank restated its previous position on digital currencies. They said that the new and innovative technology should not be dismissed or ignored.