In Prague 6/27/2017

**Final Review - Accomplishments**

**EU Tax Rates**

In my folder, my very first task was to detail the employee, employer, and Value-Added Tax rates for all countries of the EU. This task was completed successfully.



**Bank List**

Located in my folder is a list of all banks I have been in contact with these past few weeks. I have contacted banks in Austria, Malta, Croatia, and Ireland mostly for a total of 77 banks.

(Location: Anthony Giove 🡪 Banks 🡪 Bank List)

This list included information regarding the location of a bank in Ireland to accept Irish company with UK director and Czech shareholder. After sending a multitude of emails and calls out, the most prominent bank I heard from was Ulster Bank. I contacted them first by email and received an application that upon completion would lead to the understanding of what documents are required to fully begin the process of opening a bank account with them. I wanted to be clear on this information, so I called them to discuss the available options over the phone and confirm the completion of this application and they did. After successfully completing their online application, they would reach out with what proper documentation they need to move forward with the account opening.

(Link: [www.ulsterbank.ie/businesscurrentaccounts](http://www.ulsterbank.ie/businesscurrentaccounts))

**Crypto Currencies**

Received a client who wanted to create a company involving a software game in which the distribution of bitcoin would occur. Researched and detailed out what licenses are needed by the UK government and other countries, as well as if the registration of any normal bank account opening would be possible for offshore crypto currency. The following information is what I had reported:

**EU**

Virtual currency exchange platforms will be required to identify the client who trades with an amount exceeding 1000 EUR and to perform a control of the client in relation to the purpose of the respective business transaction and the source of the funds, via the European Banking Authority. If the client carries out a suspicious transaction, the obliged entity has an obligation to perform a control of the client.

Regarding the recent proposals that were adopted by the European Commission, those engaged in exchanging between virtual and fiat currencies are now included to be added to the list of obliged entities required to carry out customer due diligence (KYC), monitor transactions, and report suspicious transactions (exchanges between virtual currency to virtual currency are not covered).

**Belize**

Bitcoin is not licensed/regulated by the International Financial Services Commission of Belize, or any other competent authority in Belize.

**Panama**

Panama Financial Services License – allows the following claim: \_\_\_\_\_ is a financial institution licensed by Ministerio de Comercio e Industrias – Reu\public of Panama (MICI) in Panama as a Financial Institution and a member of the SWIFT/BIC Network Code: BTCAPAP1.

Avg. cost for a licensed offshore bitcoin firm: **$35,000 (includes opening of business account, assist in office space/virtual office search, 12 months of tax/business consulting).** Annual fees are about $1,500/year thereafter. Takes usually 7 days to form the company and 15 days to receive the license. (via <http://premieroffshore.com/low-cost-offshore-bitcoin-license/>)

**United Kingdom**

Crypto currency, also referred to as Bitcoin, is treated as private money in the UK, thus being subject to VAT (value added tax), corporate tax, income tax and capital gains tax. Every commercial activity is subject to tax, whether you provide goods/services in exchange for bitcoin. Taxation of bitcoin varies. In this scenario being a company of a software game that sells/buys bitcoins, the client will be subject to a corporation tax.

~~MUST register with or become authorized by the FCA as an electronic money institution (EMI) to issue electronic money (e-money).~~ “Cryptocurrency doesn’t meet the definition of e-money in the FCA handbook, as it isn’t issued on receipt of funds. However, it is your responsibility to ensure that you’re properly authorized if required.” (via FCA email inquiry)

According to the HMRC regarding a company subject to corporation tax, “‘For companies, exchange movements are determined between the company’s functional currency (usually the currency in which the accounts are prepared) and the other currency in question. If there is an exchange rate between Bitcoin and the functional currency then this analysis applies. Therefore, no special tax rules for Bitcoin transactions are required. The profits and losses of a company entering into transactions involving Bitcoin would be reflected in accounts and taxable under normal CT rules.” (via <http://www.taxchambers.com/wp-content/uploads/2016/12/Taxation-of-Virtual-Currencies.pdf>)

When Bitcoin is exchanged for sterling or a traditional foreign currency, no VAT is due on the value of the Bitcoins themselves. Income received from Bitcoin mining activities will generally be outside the scope of VAT. Charges made over and above the value of the Bitcoin for arranging/carrying out transactions in Bitcoin will be exempt from VAT. (via <https://www.gov.uk/government/publications/revenue-and-customs-brief-9-2014-bitcoin-and-other-cryptocurrencies/revenue-and-customs-brief-9-2014-bitcoin-and-other-cryptocurrencies>)

 For businesses which accept payment for goods or services in Bitcoin, there is no change to when revenue is recognized or how taxable profits are calculated.

 Corporate Tax: for tax treatment on virtual currencies, the general rules on foreign exchange and loan relationships apply. If there is an exchange rate between Bitcoin and the functional currency then no special tax rules for Bitcoin transactions are required. The profits/losses of a company entering into transactions involving Bitcoin would be reflected in accounts and taxable under normal CT rules.

 Gains/losses incurred on Bitcoin are chargeable or allowable for Corporate Gains Tax if they accrue to an individual or, for Corporate Tax if they accrue to a company.

 Profits/losses of a non-incorporated business on Bitcoin transactions must be reflected in their accounts and will be taxable on normal Incorporated Tax rules.

**Czech Republic**

According to the Czech National Bank, the bitcoin does not constitute the characteristics of a financial instrument. The characteristics of money exchange trade are not met (banknotes, coins, checks).

**Germany**

Germany recognizes bitcoin as private money. Exchange gains are subject to **25% taxation** by the tax on capital assets; after 12 months, however, they are tax exempt. Bitcoin transactions are tax exempt from VAT .

**Columbia**

There is no regulation on the use of bitcoin.

**OTC Market**

Researched and detailed out the requirements for a company to enter an OTC market.

In general, the company can either be international or U.S. to enter an OTC market.

**Listing Requirements for Pink Sheets (OTC market that connects broker-dealers electronically)**

Companies have no requirements to be listed. All a company needs to do to get listed on the pink sheets is submit a form, entitled **Form 211**, with the OTC Compliance Unit. Usually this is done on behalf of a company by a **market maker**. The form must have current up-to-date financial information. The more willing a company is to show its books, the easier it is for a broker-dealer to quote a price for that company.

A market maker is a broker-dealer firm that assumes the risk of holding a certain number of shares of a particular security in order to facilitate that trading of the security. Market makers make a profit buy then establishing quotes whereby the bid price is set slightly lower than the listed prices and the ask price is set slightly higher in order to earn a small margin. They are compensated for the risk of holding asset, by charging a spread on each security that they cover.

**Form 211**

Must be completed by a market maker and filed with the Financial Industry Regulatory Authority (FINRA) to initiate or resume quotations for a security on the OTC Bulletin, OTC Markets, or any similar quotation medium. Supplementary information (including identity of persons for whom quotation is being submitted, issuer trading suspensions within past 12 months, etc.), OTCBB quotation request only section, and certification (signature by the firm employee who can be contacted about information regarding the form).