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Volodymyr Chyzykov

Postgraduate Student of the Department of Accounting and Consulting,
Senior Researcher of the Department of International Tax Competition,
Financial Policy Research Institute
of the State Tax University
ORCID: <https://orcid.org/0009-0009-3968-0991>

Чижиков В.В.

аспірант кафедри обліку та консалтингу,
старший науковий співробітник відділу міжнародної податкової конкуренції,
Науково-дослідний інститут фінансової політики
Державного податкового університету

PROSPECTS FOR REGULATION OF ACCOUNTING AND TAXATION OF VIRTUAL ASSETS IN UKRAINE

ПЕРСПЕКТИВИ РЕГУЛЮВАННЯ ОБЛІКУ ТА ОПОДАТКУВАННЯ ВІРТУАЛЬНИХ АКТИВІВ В УКРАЇНІ

Abstract. Introduction. The advent of virtual assets has brought both challenges and opportunities, reshaping global financial systems and necessitating updated regulatory, accounting, and taxation frameworks. Ukraine stands at a critical juncture, integrating these digital innovations into its legal and financial infrastructure while aligning with global standards. **Purpose.** This article aims to provide a thorough examination of Ukraine's developing frameworks for the regulation, accounting, and taxation of virtual assets. It assesses the effectiveness of current strategies and identifies areas for enhancement to ensure a robust integration of virtual assets into Ukraine's financial system. **Methods.** The research employs a comparative analysis method, juxtaposing Ukraine's frameworks with global standards. This approach is supported by a review of recent academic literature and regulatory reports, offering a comprehensive perspective on the adaptation processes and methodologies applied in the integration of virtual assets. **Results.** The findings reveal that while Ukraine has made significant progress, particularly with the adoption of the "Law on Virtual Assets," gaps remain in fully securing a stable and transparent virtual asset market. The study highlights the need for continual regulatory updates and the adoption of international accounting standards to manage the complexity and volatility of virtual assets. **Conclusion.** Ukraine's proactive regulatory adaptations position it to potentially lead in the integration of virtual assets globally. Continued alignment with international standards and responsive updates to regulatory frameworks are essential to harness the economic benefits and mitigate associated risks. This ongoing evolution will support Ukraine's strategic positioning in the global digital economy and foster a stable environment for innovation and investment in virtual assets.

Keywords: virtual assets, regulatory frameworks, cryptocurrency taxation, financial systems, blockchain technology, international standards, digital economy.

Анотація. Вступ. Поява віртуальних активів принесла як виклики, так і можливості, трансформуючи глобальні фінансові системи та вимагаючи оновлення регуляторних, облікових та податкових стандартів та підходів. Україна перебуває на важливому етапі, інтегруючи цифрові інновації у свою правову та фінансову інфраструктуру, одночасно узгоджуючи власні стандарти з міжнародними. **Мета.** Ця стаття має на меті надати детальний огляд розвитку українських стандартів обліку та оподаткування віртуальних активів. Вона оцінює ефективність поточних підходів і визначає області для покращення для забезпечення ефективної інтеграції віртуальних активів у фінансову систему України. **Методи.** Дослідження використовує метод порівняльного аналізу, зіставляючи українські стандарти зі світовими. Такий підхід реалізований з використанням актуальних академічних робіт та звітів різних міжнародних організацій, що пропонують всебічний погляд на процеси адаптації та методології, які застосовуються у впровадженні віртуальних активів. **Результати.** Результати показують, що хоча Україна зробила перші кроки, зокрема з прийняттям закону «Про віртуальні активи», залишаються багато недоопрацьованих щодо забезпечення стабільного та прозорого ринку віртуальних активів. Дослідження підкреслює необхідність постійного оновлення регуляторних вимог та прийняття міжнародних стандартів обліку для ефективного управління процесів обігу віртуальних активів. **Висновки.** Активні законодавчі кроки ставлять Україну в лідируючу позицію в глобальній інтеграції віртуальних активів. Неперервне узгодження з міжнародними стандартами та реагування на оновлення регуляторних вимог є важливими для використання економічних переваг і мінімізації пов'язаних з цим ризиків. Такий безперервний процес забезпечить стратегічне позиціонування України в глобальній цифровій економіці та сприятиме створенню стабільного середовища для інновацій та інвестицій у сферу віртуальних активів.

Ключові слова: віртуальні активи, нормативно-правова база, оподаткування криптовалюти, фінансові системи, технологія блокчейн, міжнародні стандарти, цифрова економіка.

Problem statement. The rapid global proliferation of virtual assets presents a dual challenge and opportunity, disrupting traditional financial systems and necessitating

the evolution of regulatory, accounting, and taxation frameworks. While countries globally are navigating these changes at different paces and scales, Ukraine, in particular,

is in a critical phase of integrating virtual assets into its financial and legal systems. This integration requires not only aligning with international norms but also addressing the unique challenges posed by the novel and rapidly evolving nature of digital currencies and blockchain technologies.

Analysis of recent research and publications.

The integration of virtual assets into financial and legal systems has been a focal point of recent scholarly research, reflecting a global effort to address the rapid evolution and growing significance of cryptocurrencies and other digital assets. Researchers have particularly focused on regulatory approaches, financial stability implications, and innovations in accounting and taxation frameworks that adapt to the unique characteristics of virtual assets [9].

Recent publications highlight a trend towards standardizing regulatory frameworks to manage risks associated with virtual assets effectively. For instance, adaptations in international standards such as the Financial Action Task Force's (FATF) recommendations emphasize a unified approach to mitigate the money laundering risks posed by virtual assets [8]. This global perspective aligns with Ukraine's efforts to harmonize with European Union standards, particularly the Markets in Crypto-Assets (MiCA) regulation, suggesting a move towards more robust regulatory environments that can support the secure growth of the virtual asset market (Pavlidis, 2020; FATF, 2020).

Furthermore, the evolving landscape of blockchain technology necessitates continuous updates in financial reporting and accounting standards. Research underscores the disparity in accounting practices for virtual assets across different jurisdictions, with some countries like the US applying more developed frameworks that treat virtual assets as property for tax purposes. These insights are crucial for Ukraine as it shapes its own accounting standards to ensure transparent and accurate financial reporting of virtual asset transactions (Chohan, 2021; IMF, 2021).

In the realm of taxation, significant attention has been paid to the diverse approaches adopted by various countries, which range from stringent tax regulations to more lenient, growth-fostering policies. This body of research provides valuable comparisons that could inform Ukraine's tax strategy to not only ensure compliance and revenue generation but also to foster a conducive environment for virtual asset innovation and investment (EY, 2020; OECD, 2021).

Overall, the body of recent academic work provides a comprehensive view of the challenges and opportunities presented by virtual assets. It offers critical insights into how regulatory, accounting, and taxation strategies are being shaped around the world, serving as a guide for Ukraine's ongoing efforts to integrate these assets into its economic system effectively. These studies not only highlight the need for ongoing adaptation and learning in response to technological advancements but also underline the importance of international cooperation in creating stable and thriving digital asset markets.

The purpose of the article. The purpose of this article is to provide an in-depth examination of Ukraine's emerging frameworks for the regulation, accounting, and taxation of virtual assets. By comparing these frameworks with global standards and practices, the article seeks to

offer actionable insights for policymakers, investors, and professionals in the field. It aims to elucidate the effectiveness of Ukraine's current strategies and highlight potential areas for refinement to ensure robust, transparent, and efficient integration of virtual assets into Ukraine's financial system.

This article delves into the intricate dynamics of regulatory frameworks, accounting practices, and taxation of virtual assets in Ukraine. It aims to provide a comprehensive overview of Ukraine's regulatory landscape concerning virtual assets, exploring how it compares and contrasts with global standards. The discussion extends to accounting methodologies applied to virtual assets, an area still nascent and evolving within financial reporting disciplines worldwide. Additionally, the article examines the taxation policies that affect virtual assets in Ukraine, drawing lessons from the approaches adopted by other jurisdictions.

By aligning local practices with global trends and standards, this article seeks to offer insights into the effectiveness of Ukraine's strategies and what it might need to enhance its regulatory framework. It also aims to serve as a guide for policymakers, investors, and professionals navigating the complex world of virtual assets, providing a clear understanding of where Ukraine stands in the global digital economy and where it could potentially lead.

Presentation of the main research material.

The global financial landscape is experiencing a transformative shift with the rapid adoption of virtual assets. These digital assets, encompassing cryptocurrencies, tokens, and various forms of blockchain-based assets, have not only introduced new opportunities for investment and asset diversification but also presented unique challenges for traditional financial systems. The surge in their popularity is reshaping regulatory, economic, and operational frameworks worldwide.

Countries around the globe are responding differently to this phenomenon. Some are embracing the opportunities it offers by establishing progressive regulatory frameworks that promote innovation while protecting investors. Others remain cautious, grappling with the implications of virtual assets on financial stability, security, and sovereignty [5].

Ukraine, in particular, has taken proactive steps to integrate virtual assets into its financial ecosystem. Recognizing the potential of blockchain technology and the economic benefits of virtual assets, Ukraine has been at the forefront in Eastern Europe, developing legal and regulatory frameworks that aim to facilitate safe, transparent, and efficient market operations. This includes the pioneering introduction of legislation specific to virtual assets, aiming to create a conducive environment for crypto enterprises and startups, while also safeguarding investor interests and aligning with global anti-money laundering standards [10].

In March 2022, Ukraine took a significant step towards establishing a structured legal environment for virtual assets by enacting the "Law on Virtual Assets." This legislation marked a critical milestone in acknowledging the legal status of cryptocurrencies and other digital assets within the national jurisdiction. It defines the types of virtual assets and sets forth the regulatory framework for operators and service providers in the virtual assets market.

The law primarily aims to integrate virtual assets into the existing financial and legal systems, providing

clear guidelines on their operation, taxation, and legal implications. It outlines the responsibilities and obligations of virtual asset service providers and sets the stage for the development of a more robust and secure digital asset market in Ukraine.

Following the introduction of the European Union's Markets in Crypto-Assets (MiCA) regulation in April 2023, Ukraine faced the necessity to harmonize its laws with these new EU standards. MiCA aims to provide a comprehensive regulatory framework for digital assets within the EU, focusing on consumer protection, promoting innovation, and ensuring market stability.

The adaptation to MiCA involved significant adjustments in Ukrainian legislation to ensure compliance with international standards. These changes are crucial for maintaining market integrity, protecting investors, and enhancing the operational safety of digital asset exchanges and other related services. The harmonization process includes updating the definitions and classifications of virtual assets, refining the requirements for service providers, and ensuring transparent and fair market practices.

By aligning its regulatory framework with international norms, Ukraine not only boosts its domestic market for virtual assets but also enhances its attractiveness as a destination for international investments in the digital economy. This alignment is also seen as a strategic move to ensure that Ukrainian laws will be compatible with European regulations, facilitating easier access for Ukrainian companies to the broader European market, and vice versa.

These steps reflect Ukraine's commitment to creating a conducive environment for the growth and safe integration of virtual assets into its financial system, keeping pace with global trends and innovations in the digital economy.

In Ukraine, the accounting practices for virtual assets are still evolving and lack specific guidelines under the national accounting standards. This absence of tailored accounting measures for virtual assets creates a gap in how these assets are recognized, measured, and reported in financial statements. Currently, transactions involving cryptocurrencies and other virtual assets are not explicitly covered under Ukrainian accounting regulations, leading to uncertainties in proper accounting treatments. This situation poses a challenge for businesses and accountants in ensuring transparency and accuracy in financial reporting of virtual asset transactions.

From a global perspective, countries have adopted varying approaches to the accounting of virtual assets, reflecting their respective regulatory environments and the maturity of their digital asset markets [7].

The U.S. generally treats virtual assets as property for tax purposes, and comprehensive guidelines from the Financial Accounting Standards Board (FASB) specify how these assets should be recognized and valued on financial statements. The FASB's standards require that virtual assets be measured at their fair value, with changes in fair value recognized in profit or loss.

The UK has also developed specific tax and accounting guidelines for cryptocurrencies, primarily treated as either intangible assets or financial instruments depending on their use in business operations. The UK generally follows International Financial Reporting Standards (IFRS), which dictate that inventory held in the form of virtual assets by

brokers or traders should be accounted for at fair value through profit or loss.

Many EU countries are aligning with the EU's Fifth Anti-Money Laundering Directive, which includes provisions for the transparency of virtual asset transactions. While specific accounting guidelines under IFRS do not yet comprehensively cover all aspects of virtual assets, the usual treatment involves recognizing them as intangible assets or financial instruments, depending on their nature and use within the company.

Given the global trends and standards, Ukraine could benefit from developing clear accounting principles for virtual assets that align with international practices but are tailored to the local economic and regulatory context [11]. This could involve:

- define what constitutes a virtual asset under Ukrainian accounting standards to provide a foundation for specific guidelines;
- adopt a measurement model that reflects the fair value of virtual assets, recognizing the high volatility and liquidity risk associated with such assets;
- implement comprehensive disclosure requirements to enhance the transparency of virtual asset holdings, changes in their fair value, and their impact on financial statements;
- align the accounting treatment of virtual assets with their tax treatment to ensure consistency and simplicity in compliance.

By adapting these measures, Ukraine can enhance the reliability and clarity of financial reporting in the burgeoning sector of virtual assets, providing greater confidence to investors, regulators, and other stakeholders [6].

This taxation structure aims to encourage the development and integration of virtual assets into the broader financial system while ensuring that gains from these transactions contribute to the state budget. It is crucial for both individual traders and corporate entities engaged in virtual assets to maintain detailed records of their transactions, as these are required by law to ensure compliance with tax regulations.

Many researches provide a comprehensive overview of how different countries are approaching the taxation of virtual assets, which offers valuable insights for Ukraine in potentially refining its tax strategies [1; 3].

The Internal Revenue Service (IRS) of the US treats virtual currencies as property for tax purposes, meaning that capital gains tax rules apply to transactions involving cryptocurrencies. This approach requires detailed record-keeping and can lead to complex tax filings for users who engage in frequent trading.

Under the new frameworks, such as the Markets in Crypto-Assets (MiCA) regulations, there is a push towards standardized regulations across the EU, including for taxation. The goal is to reduce the administrative burden on virtual asset service providers while ensuring tax transparency [13].

Known for its crypto-friendly regulations, Singapore does not tax capital gains on virtual assets. This policy aims to foster innovation and attract crypto businesses but requires robust mechanisms to prevent money laundering and ensure compliance with international financial regulations.

In Germany, private sales that do not exceed 600 euros are exempt from taxation, and cryptocurrencies held

for more than a year are not subject to capital gains tax. This provides an incentive for long-term investment in virtual assets.

By examining these international examples, Ukraine can assess the effectiveness and fairness of its tax policies on virtual assets. The global shift towards more structured regulatory environments suggests that aligning with international standards could not only simplify tax obligations for Ukrainian users but also enhance the country's attractiveness as a hub for digital asset businesses.

Overall, the taxation of virtual assets remains a dynamic area of law and policy, with various countries adopting different models based on their economic, regulatory, and fiscal environments. For Ukraine, staying informed about global trends and adapting its approaches accordingly could be key to maintaining a competitive edge in the evolving digital asset landscape.

Some research highlight several regulatory challenges facing the virtual asset landscape globally, which are pertinent to Ukraine's burgeoning digital asset market [2; 4]:

- the speed at which virtual asset technologies evolve often outpaces the development of corresponding regulatory frameworks. This disconnect can lead to gaps in regulations that fail to address newer risks or understand fully the implications of blockchain technologies and crypto assets;

- as observed in various jurisdictions, the regulatory responses to virtual assets can be highly fragmented. This inconsistency can create confusion among stakeholders and pose compliance challenges for entities operating across multiple jurisdictions;

- a critical challenge is crafting regulations that protect consumers and ensure market stability without stifling innovation. Regulations need to be flexible enough to adapt to new technologies while providing enough structure to manage risks effectively;

- achieving jurisdictional equivalence – where the regulatory standards of different countries are recognized as comparable – remains a challenge. This recognition is crucial for global operability and reducing the compliance burden on international entities.

The structured regulatory and taxation framework for virtual assets can drive significant economic opportunities for Ukraine:

- clear, predictable, and friendly regulatory environments are attractive to investors. By aligning its virtual asset regulations with international standards, Ukraine can attract foreign direct investment and enhance its position as a competitive hub for digital asset companies;

- a well-defined regulatory framework can act as a catalyst for innovation. It provides a secure environment for startups and established companies to develop new products and services within the virtual assets space;

- regulations can help stabilize the virtual asset markets by reducing volatility and protecting against systemic risks. This stability is crucial for the long-term integration of virtual assets into Ukraine's financial ecosystem;

- by adopting a regulatory framework that reflects global standards, Ukraine can enhance its competitiveness in the global digital economy. This alignment helps Ukrainian companies to operate more seamlessly across borders, tapping into international markets.

As the digital asset landscape continues to evolve globally, Ukraine is positioned to play a pivotal role in shaping the regulatory and taxation frameworks for virtual assets. There are several anticipated developments on the horizon [12]:

- as jurisdictions worldwide strive for a more harmonized approach to digital asset regulation, Ukraine is likely to further refine its regulations to align with international standards such as the EU's Markets in Crypto-Assets Regulation (MiCA). This alignment will help mitigate risks associated with virtual assets while fostering a stable and innovative market environment;

- with blockchain technology advancing, regulatory bodies are expected to integrate more sophisticated tools for monitoring and managing digital assets. This includes the adoption of technologies that enhance transparency and security of transactions, which Ukraine can leverage to boost investor confidence;

- taxation of virtual assets will continue to be a focus area, with countries clarifying rules around the taxability of different types of crypto-related activities. For Ukraine, aligning its tax regulations with those of advanced digital asset markets will be crucial to attract and retain investments;

- as the market for virtual assets grows, consumer protection will become increasingly important. Ukraine will need to enhance its legal and regulatory frameworks to safeguard investors against fraud and other risks.

Conclusions. Ukraine has the potential to become a leader in the integration of virtual assets into the global financial system.

By continuing to develop a clear and conducive regulatory environment, Ukraine can attract crypto businesses and investors looking for a stable and reliable market. Ukraine can be at the forefront of financial innovation by fostering startups and new technologies that explore the use of virtual assets in various sectors of the economy.

By aligning its regulations with international standards, Ukraine can enhance its participation in global financial markets, making it easier for Ukrainian companies to enter foreign markets and for international businesses to operate in Ukraine.

Ukraine can invest in educational programs and technological infrastructures that support the growth of the digital asset sector, preparing a skilled workforce that can contribute to the global crypto economy.

Overall, Ukraine's robust legislative framework provides a strong foundation for the country to enhance its global footprint in the digital economy. By staying ahead of technological and regulatory trends, Ukraine can secure a leading position in the evolving landscape of virtual assets.

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