Press Release

The German Ministry of Finance (Bundesministerium für Finanzen, BMF) threatens to scare innovation out of Germany
22 May 2014

In a recent statement regarding the issue of taxation of Bitcoin as a means of payment, the German Ministry of Finance (Bundesministerium der Finanzen, BMF) classified the commercial sale of Bitcoin, and thus the use of Bitcoin as a currency as sales-taxable. This kind of taxation could severely damage the commercial spread and application of Bitcoin in Germany. The BMF’s assessment stands in stark contrast to other EU-nations as for example the United Kingdom, which recently negated such a tax classification. The Bundesverband Bitcoin, German affiliate of the Bitcoin Foundation, has expressed its strong concern about the negative impact this decision might have on Germany as a location for upcoming and existing business and technology enterprises.

Berlin. It is with regret that the Bundesverband Bitcoin e.V. has taken notice of the statement issued by the German Ministry of Finance (Bundesministerium der Finanzen, BMF) on 12 May 2014, responding to a parliamentary question regarding the value-added tax (VAT) on turnovers of the virtual currency Bitcoin. According to the BMF, the commercial sale of Bitcoin is a sale of “other services” [dt. „sonstigen Leistung“] which is subject to VAT.

Such taxation could discourage the usage of Bitcoin as means of payment to retailers in general, gastronomy and online shops, as these would be subject to double taxation: the first round of taxation whilst selling the actual goods and provision of service and then once again for the sale of received Bitcoin. If this mode of taxation were to endure, the innovative market of decentralized payment forms with all its merits for retailers and customers would be obstructed effectively. Revenues, tax receipts and innovation will driven abroad. With its assessment, the BMF contradicts other European partners, which consider Bitcoin transactions as VAT-free, based on the EU Value Added Tax Directive, binding to all European Member States.

The United Kingdom in specific stated (http://www.hmrc.gov.uk/briefs/vat/brief0914.htm) that until the EU has not positioned itself on this topic, Bitcoin sales will be treated VAT-free. This interpretation of the EU Value Added Tax Directive was chosen carefully by the British authorities in order not to hinder or burden the young, promising and rapidly growing business market evolving around Bitcoin.

With regard to the competition within the European Community, the BMF’s divergent assessment essentially results in a massive disadvantage for German businesses. If the BMF upholds its assessment not only in theory but also in practice, Bundesverband Bitcoin e.V. will support affected companies on the European level to reach a EU-wide consistent and innovation friendly assessment on the treatment of Bitcoin as a means of payment. Should it not be possible to come to a decision on a political level, it will be up to the ECJ to have the final ruling hereupon.

There are no advantages to society of a taxation of the revenues of Bitcoin as a means of payment. No additional tax receipts are to be expected. In the case of a double taxation, businesses in Germany will
merely abstain from holding Bitcoin themselves. Still, enough possibilities remain to accept Bitcoin as a means of payment without being subjected to double taxation. There are international payment service providers, situated i.e. in the US which will exchange the collected Bitcoins into any other currency for the business. This procedure is however circumstantial and the profits of the payment service providers will remain in those countries which have proven to be less detrimental to innovation as Germany. Furthermore, a closed economic cycle based on Bitcoin will be prevented effectively in Germany. Moreover Germany will miss out on the unique chance of technical innovation and will weaken its hi-tech industry, without expecting any advantages hereof.

The BMF is bound to legislation in its assessment. Nonetheless, it does have a certain margin of appreciation considering the actual application of the regulations and it has a responsibility to society and Germany as a business location. The Bundesverband Bitcoin e.V. therefore calls upon the German Federal Government to rethink its current assessment and not make itself the unloved stepmother to innovation in the European Union.

Bitcoin as a means of payment does not only have economic but also great social benefits. As the current legislation cannot keep the pace of the challenges in the internet age, it also lags behind on Bitcoin. Hence, more than before, the Bundesverband Bitcoin e.V. will urge for a broad social debate in the future to jointly reach effective solutions.

The response of the BMF is available under following link: