

DIGITAL ASSET TAX: ARRANGEMENTS, IMPLEMENTATION, AND CHALLENGES

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Abstract

Digital asset tax is an issue that is receiving increasing attention along with the rapid growth of blockchain technology and cryptocurrencies. Tax regulation on digital assets is essential to create transparency and accountability in the global digital market. Governments in various countries have begun to develop policies and regulations to govern, monitor, and ensure tax compliance of various forms of digital assets. However, the implementation of these policies poses various challenges, including the need for adequate technological infrastructure, international cooperation, and education for taxpayers. These challenges need to be addressed through a flexible and collaborative approach to ensure effective and sustainable implementation. Thus, the importance of comprehensive policy integration and awareness from all relevant parties for the successful implementation of digital asset tax.

Keywords: Digital Asset Tax, Regulation, Implementation, Challenges.

Introduction

Along with the rapid development of information and communication technology, digital assets have become a global phenomenon. Digital assets offer a variety of benefits such as transaction efficiency, decentralisation, and significant profit potential. Digital assets are forms of ownership or rights that are held electronically through digital technology and are usually represented in the form of digital data. Digital assets include various types of digital entities such as cryptocurrencies (e.g., Bitcoin and Ethereum), digital tokens, non-fungible tokens (NFTs), and digitally stored documents and creative works (Weisbach, 2019). The main characteristic of digital assets is their ability to be traded or invested online through digital platforms without the need for physical intermediaries, thus offering high flexibility and efficiency in modern economic transactions. Digital assets are gaining prominence along with the development of blockchain technology that enhances transparency, security, and decentralisation in their management and storage (X. Zhao, 2023).

The growth of the digital asset market has seen a significant surge in recent years, fuelled by growing interest from both individual and institutional investors. Cryptocurrencies, as one of the most prominent forms of digital assets, have seen a dramatic increase in valuations and transaction volumes. Bitcoin, for example, has grown from a virtually unknown concept in 2009 to a widely traded investment instrument with a market capitalisation in the hundreds of billions of dollars (Goodman & Kent, 2020). This phenomenon is not only limited to Bitcoin, but also includes various