Blockchain and VAT: the impact of blockchain on VAT legislation

Prof. Madeleine Merkx, Brussels, 6 December 2019
Blockchain and VAT legislation

Could or should the VAT legislation change (and to what extent) when blockchain technology becomes common to society?

Starting point:
• VAT as a general tax on consumption is still desirable
• Reduced VAT rates and exemptions are still part of the system (due to the political sensitivity of abolishment)
What is blockchain?

- Distributed ledger
- Decentralized
  - Transactions controlled by network instead of one party
- Transparency
- Limited transaction speed
- Energy consumption (in case of Proof of Work)
- (Pseudo)anonymity
- Party or group gets full control over the blockchain

Private and public blockchain
Smart contracts

Contract

Recorded on blockchain
Two interesting features of blockchain technology:
1. The possibility to record certain data and that it is also clear at what time this data is recorded (either on a public or private blockchain)
2. The possibility to make payments automatically via smart contracts, including payment of VAT to the tax authorities and from the tax authorities to the entrepreneur
1. Data recording on the blockchain
2. Smart contracts

Taxable person and exemption small businesses

Deductions

Contract

Cash accounting scheme

Bad debt
Blockchain, the world is your oyster, but …

Legal issues:

Who sets up these smart contracts, who checks them, are the smart contracts publicly available and how are they secured?
Thank you

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