

## **LEGAL REGULATION OF CRYPTOCURRENCY IN THE REPUBLIC OF BELARUS**

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Cryptocurrency can be defined as a currency that exists virtually and uses cryptography to secure transactions and does not have a central regulating authority, instead uses a decentralised system to record transactions.

Cryptocurrency is digital money. They differ from the usual two main parameters:

1. Independence. Crypto money is not tied to any existing currency, nor to the price of oil, nor to any other assets.
2. Virtuality. Cryptocurrency exists only in the digital space, stored in an electronic wallet.
3. Decentralized. Means that everything done with digital currencies is done peer to peer (all transactions between users are completed with no middleman).

No government agency like a bank, where you have to use their services to exchange your currency with another person. There is no need to pay a bank for the privilege of exchanging your money for goods and services. “The Bank” is represented and run by the people themselves.

Cryptocurrencies are a special case of blockchain application, a product based on it. For the first time, the blockchain was used in the Bitcoin payment system, thanks to which the whole world learned about the technology. Using blockchain technology people are able to take back full control of how we use our money.

There are different types of cryptocurrencies: Bitcoin (BTC), Ethereum (ETH), Tether (USDT), Binance Coin (BNB), USD Coin (USDC), XRP (XRP), Solana (SOL), Terra (LUNA), Cardano (ADA), Avalanche (AVAX), Polkadot (DOT), Dogecoin (DOGE).

Bitcoin was invented by Satoshi Nakamoto in 2008 during the Great Recession as distrust of banks and their role in the financial system. In the traditional financial system, transactions can be intervened by third parties. Bitcoin was presented as a way to transact without using a third party. The Bitcoin system comprises cryptographic proof to regulate the integrity of the network instead of depending on third-party banks and other institutions.

Let's analyze the legal regulation of cryptocurrency in the Republic of Belarus.

The legal regulation of cryptocurrency in Belarus is largely associated with the adoption of the truly revolutionary Decree of the President of the Republic of Belarus dated December 21, 2017 No. 8 “On the Development of the Digital Economy”, which for the first time placed in the field of legal regulation such concepts as: Cryptocurrency, Token, Mining, Crypto platform operator, Operator for the exchange of cryptocurrencies, Registry of transaction blocks (blockchain), Virtual wallet, Smart contract and others.

So, according to the Decree of the President of the Republic of Belarus dated December 21, 2017 No. 8 “On the Development of the Digital Economy”:

- cryptocurrency – bitcoin, another digital sign (token) used in international circulation as a universal means of exchange;

- virtual wallet – a software tool designed to store digital signs (tokens) and allowing its owner to carry out operations with them;

- cryptoplatform operator is an HTP resident who, using the information system, provides individuals and (or) legal entities, including non-residents of the Republic of Belarus, with the opportunity to make the following transactions (operations) between themselves and (or) with the cryptoplatform operator:

- exchange of digital signs (tokens) of one type for digital signs (tokens) of another type;

- other transactions (operations).

Cryptocurrency exchange operator is a resident of the High Technology Park, which, using information systems and (or) software and hardware complexes operating in self-service mode (cryptomats), on its own behalf and in its own interest, exchanges digital signs (tokens) of one type for digital signs (tokens) of another type, their purchase and sale for Belarusian rubles, foreign currency, electronic money. Transactions (operations) for the purchase and sale of digital signs (tokens) with residents of the Republic of Belarus are made in Belarusian rubles.

Placement of digital signs (tokens) is the performance of civil law transactions or other legally significant actions aimed at transferring digital signs (tokens) to their first owners on the terms determined by the person who created such digital signs (tokens) through a resident of the High Technology Park, including including in order to attract from the first owners of Belarusian rubles, foreign currency, electronic money, digital signs (tokens) of another type.

Registry of transaction blocks (blockchain) – built on the basis of specified algorithms in a distributed decentralized information system using cryptographic methods of information protection, a sequence of blocks with information about operations performed in such a system.

Smart contract – a program code designed to function in the register of transaction blocks (blockchain), another distributed information system for the purpose of automated execution and (or) execution of transactions or other legally significant actions.

Decree No. 1 also allows to use tokens (cryptocurrency) in business. Let's analyze its basic points.

Legal entities and individual entrepreneurs who are residents of the Park of High Technologies can perform operations with tokens (cryptocurrency).

Legal entities have the right to own tokens and, taking into account the specifics established by the Decree, perform the following operations:

- create and place own tokens in the Republic of Belarus and abroad through a resident of the Park of High Technologies carrying out the relevant type of activity;

- store tokens in virtual wallets;

– through operators of cryptoplatforms, operators of the exchange of cryptocurrencies, other residents of the Park of High Technologies, carrying out the relevant type of activity, acquire, alienate tokens, make other transactions (operations) with them.

Individuals have the right to own tokens and, taking into account the specifics established by this Decree, perform the following operations: mining, storing tokens in virtual wallets, exchanging tokens for other tokens, acquiring them, alienating them for Belarusian rubles, foreign currency, electronic money, as well as giving and bequeath tokens.

According to the Decree No. 8 mining, acquisition, alienation of tokens carried out by individuals on their own without the involvement of other individuals under labor and (or) civil law contracts is not an entrepreneurial activity.

Tokens are not subject to declaration.

Individual entrepreneurs – residents of the Park of High Technologies have the right to:

- exercise the powers specified in the first part of this subparagraph;
- create and place own tokens in the Republic of Belarus and abroad through a resident of the Park of High Technologies carrying out the relevant type of activity;
- carry out other activities using tokens in the manner prescribed by the Regulations on the High Technology Park.

According to the Decree No. 8 until January 1, 2023, the following are not recognized as objects of taxation:

- value added tax and income tax (personal income tax) – turnover, profit (income) of the High Technology Park residents from mining, creation, acquisition, alienation of tokens. At the same time, the proceeds and costs (expenses) from such activities and operations are not taken into account for the purposes of calculating and paying income tax, and the amounts of value added tax presented upon the acquisition (paid upon importation) of goods (works, services), property rights related to with the implementation of such activities and operations, are not subject to deduction;

- personal income tax – income of individuals from mining activities, acquisition (including by way of donation), alienation of tokens for Belarusian rubles, foreign currency, electronic money and (or) exchange for other tokens. At the same time, the expenses of individuals – individual entrepreneurs from such activities and operations are not taken into account when taxing income received from entrepreneurial activities.

Thus, the legal regulation of cryptocurrency in the Republic of Belarus is quite developed and will be improved in the future.

## References

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