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Juan Pablo Jiménez
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Dedication

With heartfelt posthumous recognition to **Juan Pablo Jiménez,** co-author of this study, who sadly passed away before its publication.

His outstanding career and unwavering commitment to the development of stronger, fairer, and more responsive tax systems—attuned to the transformations of the digital economy in Latin America—were instrumental in the preparation of this work.

His vision, professionalism, and human warmth will continue to inspire those of us who strive to build more modern, efficient, and equitable tax systems in response to the region's evolving challenges.

Contents

Introduction

The brisk expansion in the use of crypto assets has significantly transformed the global financial landscape. Since their emergence in 2008 with the creation of Bitcoin, the crypto asset market has experienced exponential growth in both market capitalization and trading volume. In particular, the market value of cryptocurrencies peaked, so far, in mid-December 2024, reaching nearly 3.9 trillion dollars. According to CoinGecko[1], total market capitalization nearly doubled during 2024, closing the year at 3.4 trillion dollars. Likewise, the average trading volume in the fourth quarter of 2024 reached 200.7 billion dollars, representing a 128 percent increase compared to the 88 billion dollars recorded in the third quarter (see figure 1).

Figure 1. Global cryptocurrency market capitalization and trading volume, 2017–May 2025

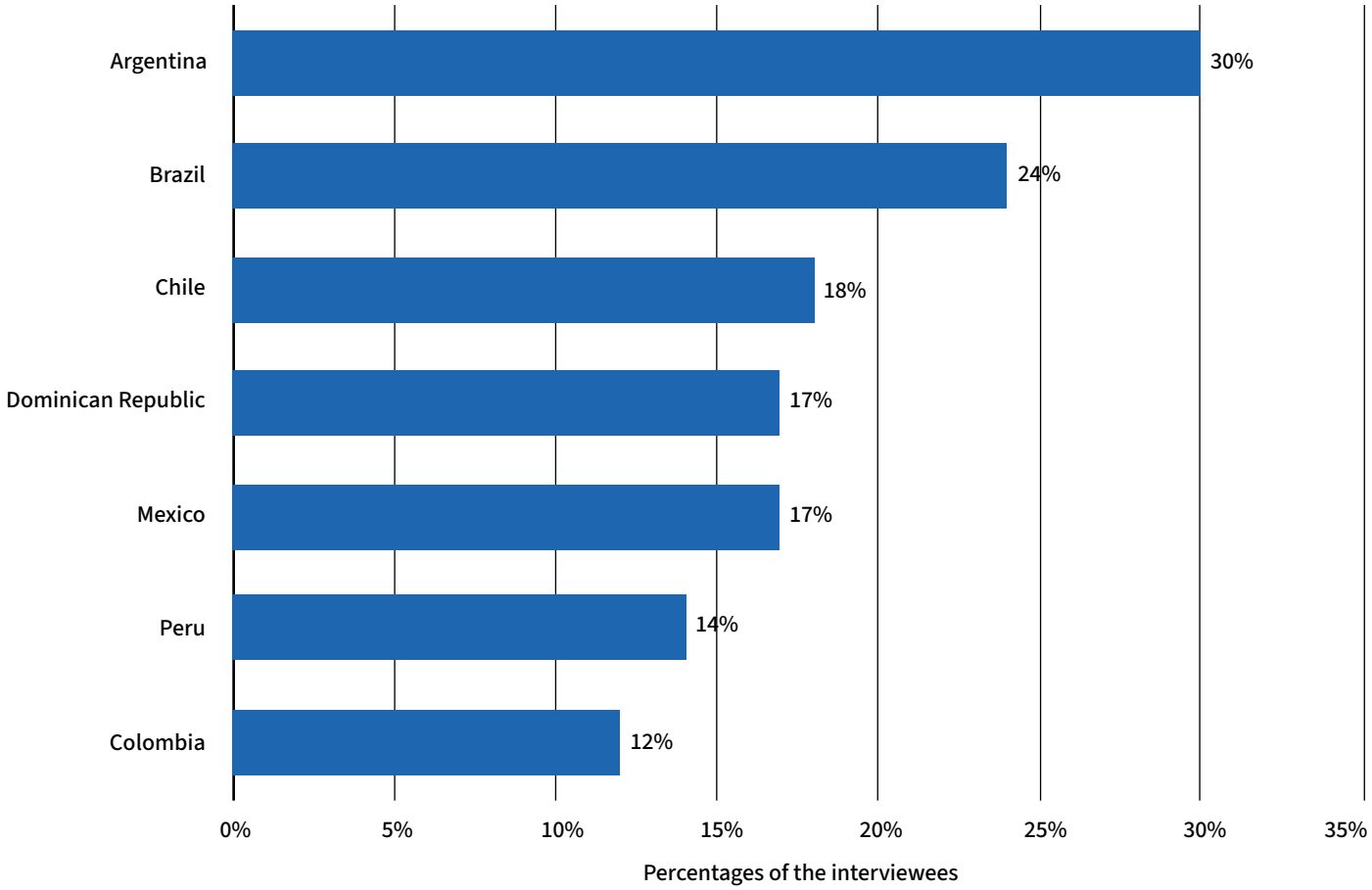
Source: https://www.coingecko.com/es/global-charts

This rapid growth in the use and trading of crypto assets has also been reflected in their increasing adoption among the population in Latin America. Some estimates indicate that approximately 12 to 30 percent of the adult population in Latin American countries currently own or have owned crypto assets, with Argentina and Brazil standing out as the leading countries in cryptocurrency adoption in the region. (Figure 2).[2]

1 See: CoinGecko (2025), 2024 Annual Crypto Industry Report. https://www.coingecko.com/research/publications/2024-annual-crypto-report

2 Statista, Study period: April 3, 2023 – March 26, 2024, Number of respondents: 2,000 – 12,000 respondents per country; Age group: 18-64 years old.

Figure 2. Percentage of the population that owns or has used cryptocurrencies in selected Latin American countries in 2024



Source: https://es.statista.com/estadisticas/1267480/tasa-de-adopcion-de-monedas-digitales-en-america-latina-y-el-caribe-por-pais/

Despite the remarkable growth in the use of cryptocurrencies in the region in recent years, countries have taken a much more cautious stance regarding their recognition as legal tender. As discussed in this report, El Salvador was the first and only country in the region to adopt Bitcoin as legal tender in 2021. However, the experience proved so controversial that, in 2025, its status as official currency was removed: its acceptance is no longer mandatory, it can no longer be used for tax payments, and its use has become strictly voluntary. Currently, the Central African Republic is the only country in the world that still maintains Bitcoin as legal tender.

The development and expansion of these assets also present significant opportunities and challenges for financial regulation, tax collection, and economic stability.

The technological developments behind crypto-assets, such as distributed ledger technology (blockchain), offer potential benefits ranging from reduced transaction costs to the creation of more efficient and inclusive financial systems. These innovations help expand financial inclusion by facilitating access to financial services for unbanked populations, particularly in developing countries. They also foster innovation and economic growth through the emergence of new businesses and blockchain-based services. Transactions conducted through these networks are typically faster and

less expensive than traditional methods, especially for international transfers. Additionally, the adoption of blockchain improves efficiency and automation within the payment chain, streamlining payments, settlements, and other financial operations. Some advocates argue that these technologies can also enhance tax administration thanks to the transparency provided by blockchain and the potential to implement smart contracts that simplify real-time tax collection. The traceability of transactions enables more effective audits, which could strengthen oversight and tax compliance.

However, these technologies pose significant challenges related to tax evasion, illicit financing, and investor protection. Critics warn that crypto-assets facilitate criminal activities and that the lack of adequate regulation exposes users and systems to serious risks of fraud and security breaches, including scams and large-scale hacks. Additionally, the anonymous nature of many cryptocurrencies makes it easier to conceal income and assets, complicating effective tax collection. Concerns that crypto-assets provide new mechanisms for wealthy individuals and certain organizations to avoid or evade taxes represent one of the main challenges faced by tax authorities. Furthermore, the regulatory uncertainty surrounding these technologies can hinder governments' ability to establish an appropriate tax framework. Lastly, the environmental impact resulting from the high energy consumption associated with certain mining mechanisms is a significant issue that requires attention.

For tax authorities in particular, the main challenge lies in adapting their tax systems—traditionally designed around national currencies—to encompass these new technological developments. This process involves not only updating legal definitions but also implementing effective compliance mechanisms capable of addressing the anonymity that characterizes many crypto-asset transactions. In addition, the potential for taxation to play a corrective role should be considered, complementing broader regulatory interventions.

Although there is a large volume of data related to cryptocurrency transactions, its analysis is complicated by the decentralized and, in many cases, anonymous nature of these operations. While experiences are accumulating and research is progressing on the tax challenges posed by crypto-assets, there is broad agreement that the available literature remains limited. This gap is particularly relevant in Latin American countries, where guidance on the tax treatment of crypto-assets is often partial or incomplete, hindering the consistent and effective application of tax frameworks.

This publication aims to address that gap by analyzing the tax treatment of digital assets and finance, with a particular focus on cryptocurrencies and other virtual assets, as well as the mechanisms implemented to gather information on economic activities carried out in the digital environment.

In this context, the following section begins by outlining some basic concepts, then identifies and analyzes the challenges and opportunities associated with the taxation of crypto-assets. It also explores the progress made by various countries in the region regarding the taxation of digital assets.

In this way, the document is intended to provide a comprehensive assessment that can serve as a foundation for debate and for the development of recommendations and strategies aimed at modernizing tax systems in relation to the taxation of digital assets in Latin America and the Caribbean.

1. Conceptualization of crypto-assets

Definitions and classifications of crypto-assets are diverse.

According to the OECD (2023), the term crypto-asset refers to a digital representation of value that relies on a cryptographically secured distributed ledger or a similar technologies to validate and secure transactions, as this is a distinguishing factor that underpins their creation, holding, and transferability. The OECD's definition also includes a reference to "similar technology" to account for new classes of assets that may emerge in the future and operate in a functionally similar manner to crypto-assets, posing comparable tax risks. Therefore, the definition of crypto-assets focuses on assets that can be held and transferred in a decentralized manner, without the involvement of traditional financial intermediaries. It includes stablecoins, crypto-asset-based derivatives, and certain non-fungible tokens (NFTs), while excluding central bank digital currencies, which are considered analogous to money held in traditional bank accounts.

Similarly, the Council of the European Union describes crypto-assets as digital representations of value or rights that can be transferred and stored electronically using distributed ledger technology (DLT) or other similar[3] technologies. Crypto-assets can be classified into three main categories (or a combination of these features):

- Means of payment or exchange (cryptocurrencies): digital assets used as a medium of exchange or store of value.
- Investment tokens: crypto-assets that grant ownership or participation rights in projects, companies or underlying assets.
- Access to goods or services (consumer tokens): assets that enable users to access specific products or services within a platform or ecosystem.

For its part, the Financial Action Task Force (FATF) in its recommendations guidelines defines a virtual asset as a digital representation of value that can be traded or transferred digitally and used for payment or investment purposes. This definition excludes digital currencies issued by central banks, since the same rules and standards apply to them as to any fiat currency.[4]

As noted in a document published by the IMF[5], the categorization of crypto-assets according to their function, essential to determine their tax treatment, is complicated due to the constant innovation and the diversity of services they can offer, although their function varies mainly between their use as an investment or means of payment, where two extreme cases can be distinguished:

3 See: https://www.consilium.europa.eu/es/policies/crypto-assets-how-the-eu-is-regulating-markets/

4 See: FATF (2021).

5 See: Baer et al. (2023).

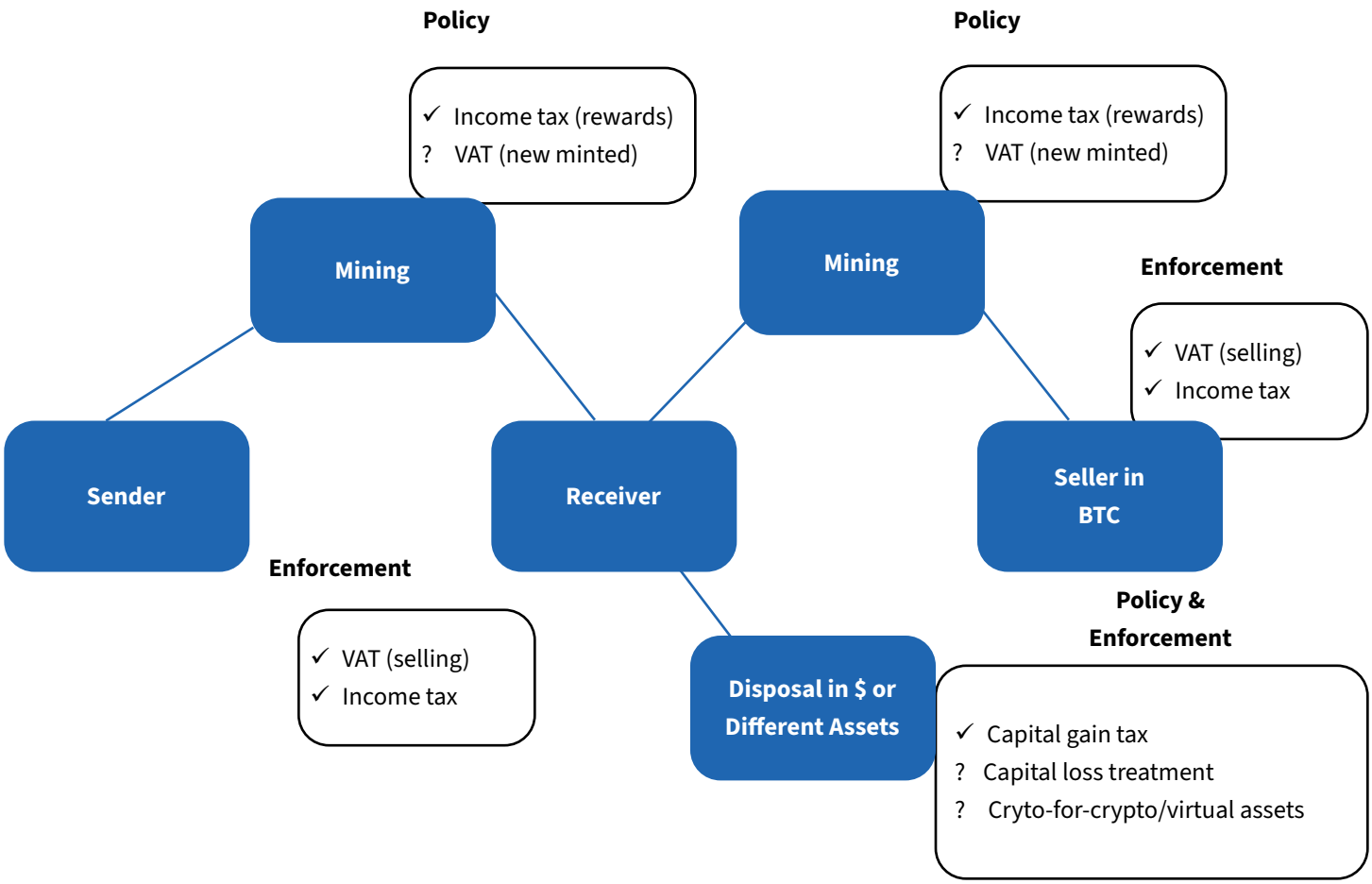
- **Security tokens:** are digital representations of traditional or unique financial assets, such as NFTs (non-fungible tokens), which cryptographically protect the ownership of unique assets such as works of art.
- **Central bank digital currencies (CBDCs)** are digital versions of fiat currencies.

In the case of the first category, NFTs are treated as investment assets for tax purposes, while the latter (CBDCs) are considered simply another form of fiat currency. In contrast, intermediate cases such as cryptocurrencies—which combine elements of both currency and investment assets and are privately issued—are more complex when it comes to determining an appropriate tax treatment. Cryptocurrencies can include stablecoins, which aim to peg their market value to an external reference (such as a traditional currency), for example: Tether and USDC (both pegged to the US dollar); or non-stable cryptocurrencies, whose valuations are subject to market volatility, such as Bitcoin and Ethereum.

2. Cryptocurrencies and taxation

Analyzing the creation and transaction chain of cryptocurrencies helps identify key policy issues that should be considered when defining and evaluating their tax treatment. As shown in Diagram 1, these challenges primarily involve income tax and VAT or sales taxes, although there is also the possibility of implementing purely corrective taxation (Baer et al., 2023).

Diagram 1. Illustrative chain of taxable events of the circulation of a cryptocurrency



Source: Baer et al. (2023).
Note: This diagram illustrates the taxable events in the circulation of a cryptocurrency (such as Bitcoin (BTC)), highlighting its specific tax policy and administrative challenges. The sender, through miners, purchases a service from the receiver using BTC, and the receiver has the options to either dispose of the BTC or purchase a service with it. A "?" indicates a particular need for policy or legal clarity. What is not explicitly described here is that these transactions can be peer-to-peer (P2P), or conducted through a decentralized or centralized exchange, which does not affect the policy treatment but does impact tax enforcement capabilities (P2P being the most challenging, followed by decentralized exchanges, and finally centralized exchanges).

According to Baer et al. (2023), when addressing these design issues, the fundamental principle to apply is tax neutrality—that is, treating cryptocurrencies the same way as comparable traditional instruments, provided there is no intention to

create a specific incentive or disincentive. In the case of miners, for example, there would be no reason for income earned from fees or the creation of new coins to be treated differently from other business income, unless the goal is to promote or discourage their activity.

However, applying the principle of neutrality to the treatment of cryptocurrencies is complicated by their dual nature: they function both as investment assets and as means of exchange. This hybrid characteristic presents additional challenges when designing an appropriate and consistent tax framework (Baer, 2023).

2.1. Main difficulties and challenges for the taxation of digital assets

The taxation of crypto-assets faces multiple difficulties and challenges due to their unique nature and technological characteristics.

One of the main issues is the quasi-anonymity offered by many cryptocurrencies, which prevents clear identification of the individuals or legal entities involved in transactions. This lack of identification represents a significant obstacle to third-party reporting and tax enforcement, as well as complicating efforts to combat crimes such as money laundering, corruption, and terrorism financing.

Additionally, the extraterritorial nature of crypto-asset transactions adds another layer of complexity. Information about the jurisdictional location of participants in these operations is not always accessible or verifiable. This challenge highlights the importance of international cooperation and coordination to develop effective and consistent tax frameworks.

Another major obstacle is the price volatility of crypto-assets and the difficulties in their accurate valuation. Added to this are the issues stemming from their dual nature or hybrid characteristics mentioned earlier: they can function both as investment assets and as means of payment. This aspect poses significant challenges for their classification and tax treatment.

Generally, countries consider cryptocurrencies as a form of property for tax purposes, although their classification may vary between intangible assets, financial instruments, commodities, or currencies, with the first two categories being the most common. The classification adopted by each jurisdiction determines the applicable tax treatment and may have different implications. For example, in many countries, capital gains realized by individuals in foreign currency are exempt from income tax; however, when cryptocurrencies are classified as assets, capital gains tax is generally applied (Baer et al., 2023).

In the case of direct taxes, if virtual currencies fit into an existing income category, they can be taxed under the Income Tax in the usual manner for that type of income, whether as capital gains, business income, or other income. However, the timing of the taxable event must be determined. For example, in cryptocurrency mining, should the taxable event be considered when new tokens are received or at the first disposal of those assets? Likewise, transactions involving exchanges of crypto-assets for fiat currency, other crypto-assets, goods, services, or even inheritances and donations raise questions about whether they should be taxed and, if so, when and how. Additionally, when crypto-assets are considered

property, the question arises as to whether they should be included in wealth or property taxes and, if so, how they should be valued.

Regarding indirect taxes, the application of VAT to transactions involving crypto-assets is another significant challenge, as it requires determining how to treat the creation, acquisition, holding, and transfer of these assets. While exchanges of cryptocurrencies are generally considered outside the scope of VAT, the purchase of goods and services using virtual currencies does constitute a taxable supply. Some countries also levy VAT on intermediary services in the buying and selling of crypto-assets.

Specifically, within the European Union, the judicial decision in the Hedqvist case has been fundamental in defining the current tax treatment applied to virtual currencies in member states. This decision considers virtual currencies equivalent to official legal tender currencies for the purposes of the VAT[6] Directive. The Court of Justice of the European Union (CJEU) established that virtual currencies are not tangible goods and lack any purpose other than serving as a means of payment. It also noted that bitcoin, unlike credits, checks, and other commercial paper, constitutes a direct means of payment between operators who accept it. Furthermore, the ruling defines virtual currencies as "non-traditional currencies," meaning "different from currencies that have legal tender status in one or more countries." The Court determined that transactions involving the exchange of fiat currency for virtual currencies and vice versa, carried out for consideration, are exempt from VAT.

On the other hand, questions also arise regarding the possible taxation of cryptocurrency mining, especially considering its high energy consumption and associated environmental impact. This aspect has led to consideration of applying corrective taxes or denying income tax deductions for energy costs related to mining activities.

Finally, to effectively address these challenges, it is essential to enhance transparency in the crypto-asset sector. This involves ensuring that Tax Authorities have access to the necessary information for their control and collection tasks. Additionally, the possibility of allowing tax payments with these assets could be explored as a way to legitimize and facilitate their inclusion in the formal tax system.

6 OECD (2020).

3. Experiences in Relevant Cases in Latin America

In the countries analyzed, there is still no specific legal framework applicable to crypto-assets. As a result, existing legal figures within current regulations have been used, adapting them to the situations arising from the use of digital assets in each country.

Regarding the treatment of **Value-Added Tax**, in the Latin American countries analyzed, the exchange of virtual currencies is not subject to VAT when conducted for legal tender currency or other virtual currencies. This is because VAT applies to the sale of tangible movable goods, while crypto-assets are considered digital goods, intangible movable goods, virtual assets, or intangibles, depending on the terminology and definition used in each country. The use of virtual currencies as a means of payment to acquire goods or services is also outside the scope of VAT. Consequently, VAT should not be paid on the value of the virtual currencies themselves. However, the purchase and sale of taxable goods and services, even if paid for with virtual currencies, is subject to VAT.

In general, services related to the exchange of virtual assets are subject to VAT, as they are considered taxable service provisions. For example, intermediary services in the buying and selling of crypto-assets that involve charging a commission are subject to VAT.

Regarding **income tax**, the countries analyzed consider virtual currencies as a form of property, generally classified as intangible assets. Therefore, they are treated as assets that generate capital gains and are taxed accordingly.

Due to the absence of a specific tax framework for cryptocurrency operations, most countries have opted to classify income obtained from virtual currencies within pre-existing income categories. Such income is taxed under the regular income tax treatment applicable to each type of income, whether as capital gains, business income, or other similar categories, as appropriate. Likewise, gains from the sale of cryptocurrencies must be reported in the annual income tax return or its equivalent, in accordance with the applicable tax regime.

Regarding **property taxes**, since digital assets are considered a form of property, in countries where inheritance, gift, transfer, wealth, or similar taxes exist, crypto-assets may be subject to these taxes. For example, in Argentina, crypto-assets are subject to the Personal Assets Tax and must be valued as of December 31 each year based on their acquisition cost, increased by interest, adjustments, and accumulated exchange differences up to that date.[7]

The table below summarizes the tax treatment of digital assets in relevant cases across Latin America.

7 Judgment N° 2/2022 DI ALIR, of ARCA, June- 16 -2022.

Table 1. Main taxes on digital assets in Latin American countries

Country	Indirect Taxes	Direct Taxes
Argentina	VAT (21%): intermediation services in the purchase and sale of cryptoassets. Tax on bank credits and debits (0.6%): transactions with digital currencies Gross Turnover Tax (some provinces): rendering of services related to transactions with digital currencies	Income tax: includes gains on disposal and performance of cryptoassets; and mining rewards: - Individual: 5%- 15% - Corporate: 25- 35% (also applies to gains from exchange rate differences or valuation) Personal Assets Tax: including cryptoassets
Brazil		PIT: - Capital gains from the sale of cryptocurrencies (if monthly sales exceed R$ 35,000): 15%- 22.5%. - Revenues from mining activities: 7.5%- 27.5%. CIT + CSLL: Capital gains from the sale of cryptocurrencies and mining income: 34%.
Chile	VAT (19%): brokerage services in the purchase and sale of cryptoassets	Global Complementary Tax, Additional Tax and First Category Tax: include gains from the purchase and sale of cryptocurrencies.
Colombia	VAT (19%): cryptoasset brokerage services	IT: includes profits generated from the sale of cryptocurrencies.
Costa Rica	VAT (13%): services related to cryptoassets	Crypto-assets are considered intangible assets and are subject to:* ISU and IRE: income from services for safeguarding private cryptographic keys on behalf of third parties; holding, storing and transferring virtual assets; exchanging virtual assets for legal tender or between different virtual assets; or intermediation of such transactions. IRCGPC: returns on investments in cryptoassets
Mexico	VAT (16%): commissions or fees charged by cryptocurrency exchange platforms	IT: Income from the sale of cryptocurrencies or virtual assets - Provisional payment for transactions in excess of $227,400: 20% withholding tax - Individual: 1,92% and 35% - Corporate: 30%
Dominican Republic		IT: includes capital gains if the cryptoassets are converted into liquid assets: - Individual: 15%- 25% (there is an exempted segment) - Corporate: 27%
Uruguay	VAT (22%): brokerage services in crypto-asset transactions	

Source: Own elaboration based on official legislation.

*/ Oficio N° MH-DGT-OF-0460-2023. ISU: Impuesto sobre las Utilidades (Tax on Profits); IRE: Impuesto sobre Remesas al Exterior (Tax on Remittances Abroad); IRCGPC: Impuesto sobre las Rentas de Capital y Ganancias y Pérdidas de Capital (Income Tax on Capital and Capital Gains and Losses).

4. Tax Evasion and Revenue Potential

Since their emergence, crypto-assets—particularly cryptocurrencies—have raised concerns due to their potential to facilitate criminal activities, mainly because of their pseudonymous nature. This feature allows transactions to be conducted without revealing real identities, posing a significant risk in terms of tax evasion, money laundering, terrorist financing, the illegal drug trade, and other illicit goods. Their use has also enabled newer crimes tied to advanced digital skills, such as online fraud and ransomware attacks. The perception that cryptocurrencies may be used for illicit purposes is reinforced by the observed negative correlation between their adoption and several indicators of institutional quality and corruption control across countries (Baer et al., 2023).

While tax evasion is often mentioned as a related issue, it tends to be underestimated compared to other crimes that provoke greater concern among regulators and governments. This context presents major challenges for policy design that aims to balance the promotion of financial innovation with the mitigation of risks associated with the misuse of crypto-assets.

4.1. Revenue Potential

In Baer et al. (2023), based on the work of Thiemann (2021)—which uses Bitcoin transaction data provided by Chainalysis and probabilistically linked to users' countries through web traffic flows to platforms and other clues such as time zone differences—accumulated and realized capital gains by European Union (EU) residents were estimated. Although information on the actual taxes paid on these transactions is not available, this approach allows for an approximation of the theoretically owed tax, which can be considered an upper bound on the amount potentially evaded. According to these estimates, tax evasion from capital gains related to cryptocurrencies ranged between 850 and 900 million euros in 2020. Comparing these figures to the actual tax revenue from personal capital gains in the EU is difficult, as many countries do not report this data (Baer et al., 2023).

In this report, using data from Chainalysis (2024)[8] —which states that the total value of cryptocurrencies received by Latin American countries between July 2023 and June 2024 amounted to 415 billion dollars—the theoretically owed tax in Latin American countries is estimated. Following a similar exercise to Baer et al. (2023), and assuming a 5 percent rate of return—reflecting more typical market conditions—and a 20 percent tax rate, the implied total tax liability would be approximately 4.15 billion dollars, which is equivalent to about 0.06 percent of the regional GDP).

Baer et al. (2023) highlight three key takeaways from these estimates. First, the potential global tax revenues from cryptocurrency use could amount to tens of billions of dollars, or even more in scenarios where crypto-assets yield

8 Chainalysis (2024), The 2024 Geography of Crypto Report, Everything you need to know about regional trends in crypto adoption, octubre. https://www.chainalysis.com/wp-content/uploads/2024/10/the-2024-geography-of-crypto-report-release.pdf

favorable returns. However, the actual recoverable amount remains uncertain, especially given the inherent challenges in detecting tax evasion in an environment characterized by pseudonymity and serious criminal activity that lies beyond the reach of tax administrations. Secondly, a large portion of potential tax revenue is linked to wealthy individuals and large holders of crypto-assets. Finally, while most of the tax policy debate has focused on income taxation, the use of cryptocurrencies as a means of payment for legal transactions—rather than solely as an investment—could pose even greater challenges in terms of collecting value-added tax (VAT) and sales taxes.

5. Enforcement and Administration

An essential condition for the effective taxation of cryptocurrencies is the existence of clear, comprehensive, and up-to-date legislation that reflects this new context. However, even in the most advanced jurisdictions, significant areas of uncertainty persist due to the rapid pace of technological and financial developments related to cryptocurrencies, which has caused tax regulations to continue adapting in a fragmented and slow manner compared to innovation (Baer et al., 2023).

The main challenge in taxing cryptocurrencies lies in their pseudonymous nature, as previously noted. Unlike traditional systems, where tax authorities can identify the taxpayer but may not always have an accurate picture of their income, crypto-assets allow for the tracking of certain transactions without easily linking them to specific individuals or entities. This anonymity is not incidental; it reflects a deliberate intent to enable financial transactions without government oversight or centralized authorities that might share information with third parties.

The problem is further compounded by the lack of built-in incentives for users to self-report their transactions—except when declaring losses. Although anonymity itself does not prevent the implementation of certain tax types, such as a flat-rate transaction tax or a flat income tax, access to the necessary information and the ability to identify the nature of transactions remains a significant barrier.

Nonetheless, tax authorities do have a critical leverage point: the emergence of centralized institutions such as cryptocurrency exchanges, which serve as intermediaries for buying and selling digital assets. These entities are able to collect information on the ownership and use of crypto-assets, which is key to providing actionable data to tax authorities.

Anti-money laundering (AML) regulations and Know Your Customer (KYC) policies play a central role in this process, enabling centralized exchanges to link user identities to their transactions. These policies include the reporting of suspicious activity and the implementation of the “travel rule,” which requires attaching customer information to transactions (Baer et al., 2023).

Ultimately, the effective taxation of cryptocurrencies depends on the ability of tax administrations to adapt to an environment that offers partial anonymity to users and in which technological innovation continues to outpace regulatory frameworks.

6. Regulations and Mechanisms for Obtaining Information on Digital Assets

In a context where crypto-assets are gaining increasing relevance, Latin American countries are working to establish regulations that provide an adequate legal framework. Over time, governments have gradually moved away from their initial hesitation toward these digital assets and have begun developing regulatory strategies tailored to each country's specific circumstances.

The regulatory landscape in the region is diverse and evolving, reflecting different approaches and priorities regarding the adoption, oversight, and use of digital assets, as well as how each country addresses the challenges and seizes the opportunities these assets present. While some countries have already enacted specific laws and regulations, others are still in the early stages of drafting or assessing relevant frameworks.

The table below provides a summary of the main regulations currently in effect and the mechanisms in place to obtain information in selected Latin American countries.

Table 2: Main regulations and mechanisms for obtaining information on digital assets in Latin American countries

Country	Regulations and Mechanisms for Obtaining Information
Argentina	• There is still no regulation of cryptocurrencies and there is no central supervisory body. • Local exchanges are required to complete the reporting regime to report cryptocurrency transactions on a monthly basis (Resolution 4164/2019). • Virtual Asset Service Providers (VASPs) must implement good corporate governance practices and a risk-based approach to prevent ML/FT (money laundering and terrorist financing), as well as implement procedures that allow monitoring of transactions (Law 27.739, 2024))
Brazil	• Bitcoin Act (2022): regulates cryptocurrencies. Creates a federal agency that regulates cryptoasset companies and establishes a virtual services license. Establishes the Brazilian Securities Market Commission (CMV) as the supervisory body for digital assets. • Since 2019, Receita Federal introduced regulations that require legal entities and individuals to report operations carried out with cryptoassets, if the operations exceed R$30,000 per month. • Cryptocurrency exchanges domiciled in Brazil must provide information annually, in relation to each user of their services.
Colombia	• There is no regulation that comprehensively regulates the sector. • Exchanges are obliged to report user transactions over USD 150 (Resolution 314 of the Financial Information and Analysis Unit (UIAF, December 2021))
Chile	• Fintech Law (No. 21,521 of January 2023): regulates alternative transaction systems, including cryptocurrencies. • Obligations include performing risk management, adopting corporate governance and registering in the corresponding registries.
Ecuador	• Law for the Development, Regulation and Control of Financial Services Technology (Fintech Law, December 2022): recognizes blockchain as a service that entities can implement, but does not talk about cryptocurrencies.
El Salvador	• It was the first country in the world to accept bitcoin as an official currency (September 2021), through the Bitcoin Law (Legislative Decree No. 57). However, on 01/29/2025 that Law is modified, so that: o Bitcoin is no longer a legal tender. o Its acceptance is no longer mandatory but voluntary. o Taxes can no longer be paid with bitcoin.

Country	Regulations and Mechanisms for Obtaining Information
Mexico	• Law to Regulate Financial Technology Institutions (Fintech Law, 2018): regulates Financial Technology Institutions; establishes requirements to operate with virtual assets; defines consumer protection measures; and implements anti-money laundering controls. • The law recognizes cryptocurrencies as legitimate and allows them to be used as a means of payment. • Cryptocurrency service providers must register with the Tax Administration System as a vulnerable activity and report to the Financial Intelligence Unit to avoid money laundering.
Peru	• Supreme Decree No. 006-2023-JUS: incorporated virtual asset service providers (PSAV) as obliged subjects to report to the Financial Intelligence Unit (UIF) of the Superintendence of Banking, Insurance and AFP (SBS). • Resolution No. 02648-2024-2024: approved the standard for the prevention of money laundering and financing of terrorism (ML/FT) applicable to PSAVs under the supervision of the FIU of the SBS.
Uruguay	• Law No. 20,345 (September 2024): recognizes cryptocurrencies as virtual assets in the country, regulates virtual assets and grants the Central Bank of Uruguay (BCU) the authority to supervise and regulate virtual asset service providers (PSAVs), incorporating them into the scope of entities subject to its control.

Source: Own elaboration based on worldsys and official information.

On the other hand, it is important to highlight the **Crypto-Asset Reporting Framework (CARF) developed by the OECD** as a coordinated international response to address the tax challenges arising from the growing adoption of crypto-assets. Its main objective is to establish a global standard for the collection, exchange, and automatic reporting of tax information related to crypto-asset transactions, with the aim of ensuring greater transparency and facilitating global tax compliance. The framework covers a broad range of digital assets, including those created, held, or transferred using decentralized technologies, such as stablecoins, derivatives, and certain non-fungible tokens (NFTs).

CARF sets out a standardized approach for reporting tax information on crypto-asset transactions, with the intention that such information be automatically exchanged between jurisdictions. Crypto-asset service providers, such as exchanges and other platforms that facilitate the purchase, sale, or transfer of these assets, are required to report four types of relevant transactions: exchanges between crypto-assets and fiat currencies, transfers between crypto-assets, as well as other operations involving digital assets held in custody.

In the case of the European Union, member states must transpose the directive associated with CARF into their national legislation by December 31, 2025, so that the rules come into effect on January 1, 2026, except for a few specific exemptions.[9]

This initiative reflects a strong commitment by international tax authorities to close regulatory gaps and promote transparency in a sector defined by its anonymity and rapid technological evolution.

9 See: KPGM (2024).

Box. Bitcoin in El Salvador: Evolution and Recent Reform

In September 2021, with the entry into force of the Bitcoin Law, El Salvador adopted Bitcoin as legal tender, alongside the U.S. dollar, which was already legal tender in the country. The main objective of this measure was to improve financial inclusion for the unbanked population and to facilitate faster and cheaper transactions, particularly for remittances. To promote its use, the Salvadoran government distributed $30 in Bitcoin to citizens through the public digital wallet, Chivo.

However, the use of Bitcoin in the country has been limited. Only about 20 percent of businesses accepted Bitcoin, and less than 5 percent of commercial transactions were conducted using the cryptocurrency. Its use for tax payments and remittances has also been marginal. Factors that have limited adoption include price volatility, moderate mobile internet penetration, and limited trust in the technology.

To regulate the crypto ecosystem, El Salvador developed a regulatory framework for digital assets, including favorable tax policies and the creation of specialized oversight bodies. Companies such as Tether have found the country to be a favorable environment for their operations.

The fiscal costs of the Bitcoin project have been moderate, including subsidies for the operation of Chivo (around 0.1 percent of GDP), government purchases of Bitcoin, and the implementation of a Bitcoin mining program run by the state-owned electric company CEL.

Reform of the Bitcoin Law and IMF Conditions

As part of negotiations with the International Monetary Fund (IMF), El Salvador enacted a reform to the Bitcoin Law aimed at reducing fiscal and financial risks. The reform removed Bitcoin's status as legal tender, meaning that neither the public nor private sectors are now required to accept it as a means of payment. Additionally, it was established that taxes can only be paid in U.S. dollars, and the government is no longer obligated to guarantee convertibility between Bitcoin and the dollar.

The agreement with the IMF also includes measures to limit the government's exposure to Bitcoin. The government committed not to accumulate additional Bitcoin and not to issue or back public debt instruments linked to the cryptocurrency. Furthermore, crypto sector oversight will be strengthened to align regulation with international standards, addressing risks related to money laundering, cybersecurity, and financial stability. Consumer protection policies and transparency in the government's Bitcoin-related operations will also be reinforced.

With this reform, El Salvador is expected to maintain a favorable framework for digital asset investment, while implementing stricter controls to mitigate fiscal and financial risks, in line with commitments made to the IMF.

This case illustrates that although crypto-assets can be legally recognized, their implementation as official currency faces significant challenges, including financial stability, fiscal risks, public acceptance, and pressure from international institutions, all of which can hinder their effective adoption.

Source: IMF (2025), *El Salvador: Request for Extended Arrangement Under the Extended Fund Facility-Press Release; Staff Report; and Statement by the Executive Director for El Salvador*, IMF Staff Country Reports 2025, 058, Western Hemisphere Dept, https://doi.org/10.5089/9798229003483.002

Some Conclusions and Future Challenges

The taxation of crypto-assets presents unique challenges that require innovative and flexible responses. The fundamental characteristics of these assets—such as their decentralized nature, pseudo-anonymity, rapid technological evolution, and valuation issues—make it difficult to develop an effective and equitable tax framework. These features, along with the absence of centralized control and the ability to conduct international transactions without traditional intermediaries, pose significant challenges for tax systems worldwide and call for a delicate balance between regulation and the promotion of innovation.

One of the main conceptual challenges is the dual role of crypto-assets as both investment assets and means of payment. This hybrid nature creates complexities in defining clear criteria for appropriate tax treatment, especially regarding the recognition of capital gains and losses when these assets are used for investment purposes, without discouraging their use as a medium of exchange. Additionally, regulatory uncertainty regarding how to treat cryptocurrency transactions for VAT or sales tax purposes adds another layer of complexity that tax systems have yet to fully address.

To date, most of the academic and policy literature has focused on income taxation, particularly in the context of large investors and the generation of capital gains. However, less attention has been paid to the VAT and sales tax implications of crypto use. This presents a significant challenge, as the anonymous nature of many cryptocurrency transactions—combined with their cash-like characteristics—creates new opportunities for tax fraud and evasion. This risk is especially concerning in emerging and developing economies, where cryptocurrency adoption may be high and administrative capacity to monitor it may be limited.

Another relevant challenge is the environmental impact of crypto mining. Governments may consider the implementation of corrective taxes to mitigate these effects, such as incorporating mining activities into carbon tax regimes or promoting the use of more sustainable technologies within the crypto ecosystem.

In addition, the concentration of wealth in crypto-assets presents further issues. Evidence suggests that ownership of these assets is highly concentrated, which has implications for tax equity. Tax systems must be designed to appropriately capture the gains generated by these assets without exacerbating existing inequalities.

On a practical level, implementing an effective tax system for crypto-assets faces the inherent difficulty of identifying and tracking transactions that, due to their decentralized nature, can be carried out anonymously or pseudo-anonymously and across borders. While initiatives such as the OECD's Crypto-Asset Reporting Framework (CARF) aim to address this challenge through standardized reporting mechanisms, the risk remains that transactions may shift to decentralized exchanges or peer-to-peer arrangements that fall outside the scope of tax authorities.

Despite these challenges, there is growing consensus on the need to develop effective and coordinated regulatory frameworks at the global level. International cooperation will be essential to avoid regulatory fragmentation and ensure that tax systems can adequately adapt to this new financial reality. In doing so, it will be critical to strike a balance between

efficiency, equity, and revenue generation, without stifling the innovation these assets can contribute to the global financial system.

In this regard, countries and their tax systems must quickly adapt to confront these challenges in a coherent, clear, and effective manner. This requires a coordinated international approach that combines regulatory innovation, effective reporting mechanisms, and strategies to prevent tax evasion. At the same time, it is essential that these policies balance the need to secure tax revenues with the encouragement of innovation and the protection of financial stability.

Ultimately, among various economic utopias is the belief that it is possible to implement a monetary system that operates outside the control of governments and central banks. The idea of private, decentralized currencies without state intervention has long appealed to those who question government involvement and mistrust traditional institutions.

However, in practice, regulatory and tax challenges, volatility, and barriers to widespread adoption have shown that total decentralization is difficult to sustain without some degree of oversight. Even the most established cryptocurrencies, such as Bitcoin, depend on structures that—although decentralized by design—require high levels of governance and regulation to ensure security and stability in the fiscal and financial ecosystem.

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CIAT Executive Secretary
P.O. Box: 0834-02129, Panama, Republic of Panama
Phone: (507) 307-2428
Fax: (507) 264-4926
E-mail: ciat@ciat.org
Web: www.ciat.org