

Crypto-currencies and tax enforcement

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During the [hearing on VAT fraud](#) to which I gave evidence yesterday I was asked how tax authorities should respond to the threat from crypto-currencies.

My response was simple and straightforward. I suggested that crypto-currency users want all the benefits of the state but are too-often inclined to avoid the obligations that are owed to those states. In that case the solution is simple. In my opinion states should make clear that if a contract is intended to be or is settled using a crypto-currency that does not actually information exchange with tax authorities on the identity of those making use of its facilities then transactions involving that currency will be unenforceable in the law of that place, with that lack of enforceability impacting on all rights associated with the supply.

In other words, a person can use a crypto-currency should be able to do so, but not expect any of the rights the state endows when doing so. Third parties and tax authorities would, however, still retain their full rights arising from the transaction.