

**LEGAL ASPECTS OF CRYPTOCURRENCY AND BLOCKCHAIN TECHNOLOGIES:  
UZBEKISTAN AND FOREIGN EXPERIENCE**

**G. N. Makhmudova**, *Doctor of Economics, DSc,*

*National University of Uzbekistan named after Mirzo Ulugbek, Tashkent,*

**N. F. Gulomova**, *Doctor of Economics, PhD,*

*Tashkent University of Information Technologies named after Muhammad al-Khwarizmi, Uzbekistan,*

**D. M. Mirzaev**,

*National Bank for Foreign Economic Affairs of the Republic of Uzbekistan, Tashkent*

*This article discusses the possibilities of blockchain technologies and cryptocurrencies. The authors analyzed the legislation of foreign countries in the field of blockchain and cryptocurrency, which led to the conclusion about the effectiveness of the legal regulation of relations related to the use of digital technologies, as well as the possibility of borrowing the rules of law and experience for the legal system of Uzbekistan.*

**Keywords:** *cryptocurrency, financial institutions, blockchain, technologies, mining, legal regulation, legal status.*

Economic mechanisms for the development of innovative activities of the digital economy in the regions include financial institutions and their capabilities. In this regard, financial institutions are always at the forefront of innovation and the use of new technologies. The presence of regulated financial institutions is very important in supporting electronic payment, electronic money, electronic banking, electronic trading, electronic mortgage, i.e. financial transactions, which are the foundations of the digital economy. The Development Bank of Singapore (DBS) estimates that financial institutions that have not implemented a digital model could see an 18% drop in ROE (return on equity) over a 5-year period. For this reason, there is a need for financial institutions to quickly enter the secure FinTech industry based on Internet consumer financing, mobile payments and Internet insurance [1].

FinTech (financial technology) is a new financial technology designed to improve and automate the delivery and use of financial services. Fintech also includes the development and use of cryptocurrencies such as bitcoin. The UK is at the forefront of supporting and implementing FinTech, that is, financial technologies. An average of £20 billion is transferred annually through this system. A high concentration of financial institutions is located in London, making it one of the best platforms for FinTech startups. Singapore is the second largest FinTech hub in the world after the UK. The country has allocated 225 million dollars to financial technology projects and holds a FinTech festival every year, which is why it has become the "FinTech Center of Asia".

Blockchain is becoming the most important technologies the financial institutions. According to research and consulting company Gartner [2], the development of blockchain goes through the following three stages:

- In the first stage - in 2018-2021, enterprises will use various methods of blockchain-based technologies in their activities in order to reduce costs;
- after the first phase of several high-level successes, in 2022-2026, confidence in these technologies will emerge, leading to its rapid growth and adoption. The value added to the business will be 176 billion dollars by 2025;

– in the third stage - in 2027-2030, blockchain technologies will become more popular in society, and it is predicted that the world market will reach 3 trillion dollars by reducing costs and increasing revenues. For example, records of money statements can be stored on the blockchain. Cryptocurrencies are used to record information about who transferred virtual money from the blockchain, to whom and how much. Blockchain provides many opportunities to detect and repel hacking attacks on major websites on centralized servers.

Crypto asset management is also an important part of the digital economy. Most of the scientific literature is devoted to the main principles of financial legislation, regulation of the market of digital payment instruments, principles of taxation and setting norms in the field of digital finance. The digital economy's problems related to taxation are as follows: immateriality, lack of accurate description of income; new business models and the scope of e-commerce and the difference in jurisdiction between the seller and the buyer. Since all transactions and other relationships are done electronically in the digital economy, taxation of their business income becomes important. An example of this is the activity of IT giants that dominate the world economy, such as "Google", "Amazon", "Facebook" and "Apple" (known as GAFA). The Organization for Economic Cooperation and Development (OECD) estimated that these large companies avoid paying taxes between 100 billion and 240 billion dollars annually. This corresponds to 4% to 10% of global corporate taxes. This is because these businesses mainly generate revenue from advertising and the sale of user data.

In addition, one of the biggest problems of the digital economy is the problem of regulating and taxing cryptocurrency. In a number of developing countries, crypto-currency has been given the status, some treat it as a commodity, currency, property (Table) [3].

Table. – Legal status and taxation of cryptocurrency in different countries

<i>Country</i>	<i>Legal status of cryptocurrency</i>	<i>Taxation of cryptocurrency transactions</i>
Australia	Property	Profit tax / Income tax
Austria	Intangible asset	Income tax
Great Britain	Payment method	Corporate tax/Income tax
Germany	Currency	Capital growth tax; Wealth tax; VAT
Israel	Goods	Income tax; Tax on capital growth
Malta	Stock	Personal income tax; Income tax
Singapore	Service	Corporate tax; goods and services tax
USA	Property	Property tax; tax on annual gross income; profit tax; capital gains tax; payroll tax
Japan	Payment method	Tax on profits
Russia	Property	Personal income tax; Tax on profits

Today, we are witnessing that the digital economy is not fully compatible with the tax system. Most types of electronic business or cryptocurrencies are not taxed in many countries, which means that it is impossible to tax according to the current legal documents. It can be seen that, although currently cryptocurrency does not have an official status at the international level, it is actively used in mutual settlements. Many countries are developing legal frameworks for the independent taxation of e-commerce. Appropriate international regulations are required to effectively regulate it [4] [5].

Cryptocurrency transactions, including "mining", should be legally defined as part of tax objects. In Japan, in 2017, the Foreign Exchange Regulation Act came into force, according to which cryptocurrencies, including bitcoins, received the status of a means of payment, while the

yen remained the official currency. At the legislative level, it is necessary to ensure the possibility of using cryptocurrency as a means of payment, mainly in foreign trade and the use of a mechanism for measuring money for accounting. An important element of the legal regulation of any financial market is the institution of licensing. In Germany, persons providing services in the cryptocurrency market (platforms, etc.) and carrying out transactions with cryptocurrencies on a permanent and commercial basis (carrying out speculative activities) must obtain an appropriate license from BaFin. In this case, it is appropriate to reflect the norms on the regulation of cryptocurrencies in the national legislation or other regulatory legal documents [6].

Blockchain and cryptocurrencies were legalized in Uzbekistan in 2018. However, Uzbekistan has legally prescribed a ban on paying with cryptocurrencies. The only means of payment in the country is the sum. It is possible to sell cryptocurrencies in the country only through specialized crypto exchanges. The Presidential Resolution of July 3, 2018 "On measures to develop the digital economy and the sphere of crypto assets turnover in the Republic of Uzbekistan" defines the types of activities in the field of crypto assets turnover, namely: mining and the activities of service providers in the field of crypto assets turnover [7]. The Resolution outlined the most important tasks such as implementation and development of activities in the field of crypto-assets' turnover, including mining (activities to maintain the distribution platform and create new blocks with the ability to receive remuneration in the form of new units and commission fees in various cryptocurrencies), smart contracts (an agreement in electronic form, the exercise of rights and responsibilities for which is carried out by automatic execution of digital transactions), consulting, emission, exchange, storage, distribution, management, insurance, crowdfunding (collective financing), as well as blockchain technologies for diversifying various forms of investment and entrepreneurial activity.

Later, President Sh.Mirziyoyev signed a decree dated April 27, 2022 No. UP-121 that amended a number of acts of the head of state in order to "develop digital technologies" and "create favorable conditions for business entities [7]. The Decree approved the Regulations on a special regulatory regime in the sphere of crypto assets turnover ("unique crypto regulatory regime"). Participants of the special regime after registration can carry out pilot projects without obtaining licenses and permits for a period of not more than three years. Only legal entities can engage in mining using electricity produced by a solar photovoltaic station. In this case, they have the right to enjoy tax, customs and other benefits and preferences in the field of renewable energy use. All electronic systems for such exchange trading must be located on servers within the country. Individuals are allowed to sell cryptocurrency. Moreover, residents of the Republic of Uzbekistan have the right to conclude transactions exclusively for the sale of crypto-assets and tokens on crypto-exchanges.

Thus, at present, the cryptocurrency in the Republic of Uzbekistan at the initial stage of adoption. The process of legal regulation of cryptocurrencies should follow the path of a clear legislative definition of the concept of cryptocurrencies, regulatory regulation of the "exchange" of cryptocurrencies for the national currency of the Uzbekistan and foreign currency, control over the activities of "miners" and providers of services for the exchange of virtual currencies, regulation of settlement operations, determination of features taxation. It is appropriate to describe the rights and obligations, privileges and incentive mechanisms in the digital economy. It is important to adopt regulatory norms for the environment of the digital economy, digital commerce, e-sports, cryptocurrency and other areas. Cryptocurrency should become the object of not only domestic control, but also international. The experience of legislative regulation in Japan and Germany can become a subject of borrowing for the legal systems of other countries.

## References

1. <https://www.ig.com/uk/news-and-trade-ideas/shares-news/uk-fintech-companies-continue-to-lead-the-way-180921>
2. <https://www.gartner.com/en/newsroom/press-releases/2019-09-12-gartner-2019-hype-cycle-for-blockchain-business-shows>
3. N.Gulomova, Improving the development system of digital economy in the regions of Uzbekistan, dissertation № B2020.2.PhD/Iqt608, 2021
4. E.Hadzhieva, Impact of Digitalisation on International Tax Matters, 2019
5. Actual problems of the tax system in the digital economy, Round table, Economics. Taxes. Law, 2018
6. V.Kamalyan, Legal regulation of cryptocurrencies and blockchain technologies in Germany and Italy/ Actual problems of Russian law. - 2020. - Т. 15. - No. 7. - p. 197-206
7. <https://regulation.gov.uz/ru/d/44561>

### **ЮРИДИЧЕСКИЕ АСПЕКТЫ КРИПТОВАЛЮТ И ТЕХНОЛОГИЙ БЛОКЧЕЙН: УЗБЕКИСТАН И ЗАРУБЕЖНЫЙ ОПЫТ**

*В данной статье рассматриваются возможности технологий блокчейн и криптовалют. Авторы проанализировали законодательство зарубежных стран в сфере блокчейна и криптовалюты, что позволило сделать вывод об эффективности правового регулирования отношений, связанных с использованием цифровых технологий, а также о возможности заимствования норм права и опыт для правовой системы Узбекистана.*

**Ключевые слова:** *криптовалюта, финансовые институты, блокчейн, технологии, майнинг, правовое регулирование, правовой статус.*