



## What is the Libra cryptocurrency?

Libra is a cryptocurrency which, like other cryptocurrencies, is based on a blockchain technology which is limited to the participants (“permissioned blockchain”). [Susanne](#) has already described the structure of the [Libra cryptocurrency](#).

As a so-called stablecoin Libra is tied to a basket of currencies. For hedging purposes, investments are made in various currencies with banks as well as government bonds purchased. Libra is obtained through payment in a fiat currency. Just like other cryptocurrencies, Libra is held on a private key and exchanged again into other cryptocurrencies or fiat currencies via exchanges.



## The tax treatment of Libra in Germany: What about the tax treatment of any profits related to Libra?

In my opinion, Libra's structure does not differ significantly from other cryptocurrencies for the purposes of German income tax. Therefore, the purchase and sale of Libra as part of private assets within the one-year speculation period is subject to German income tax (Section 23 para. 1 no. 2 of the German Income Tax Act, EStG). If Libra is held as part of a business, any profits and losses related thereto do not only affect the company's income tax or corporation tax, but also its trade tax. The fact that Libra is based on fiat currencies has no influence on the tax treatment, in my opinion. With respect to the other important points on the tax treatment of any profits related to cryptocurrencies, I can therefore refer to my earlier contributions in the series [Bitcoin and other cryptocurrencies](#) (1+2+6). However, if Libra is exchanged into currencies other than the Euro, a taxable profit or loss will also arise within the one-year speculation period. At the same time, it should be noted that a new one-year speculation period starts for the currency the Libra is exchanged for. It is important to look into whether or not your bank informs you of the taxable currency gains. If not, you need to calculate the speculative gains yourself and declare them on your income tax return in order to avoid any consequences under criminal law (see Part 5 of my series "Bitcoin and other cryptocurrencies" on the topic of the [exchange of information](#)).

## Value added tax and inheritance tax in Germany

From a value added tax perspective, Libra also does not present any significant differences compared to Bitcoin and other cryptocurrencies. Therefore, Libra would also have to fall under the value added tax exemption of currencies (see my contributions Part 3+4 from the series [Bitcoin and other cryptocurrencies](#)). The German gifting or inheritance of Libra is subject to inheritance tax just like the other cryptocurrencies (see my contribution on the topic of [gift tax](#) and co. from the series "Bitcoin and co."). It is important to note that Libra are lost if the private key is lost. Therefore, in the case of gifts or inheritance, the access data must be known to the donee or the heir.

## Pay attention to other German tax-related provisions

For Libra, the same tax-related questions arise as for other cryptocurrencies, e.g. the exchange of information, can I "import" Libra from abroad without limitation as well as possible consequences under German criminal law if the tax declaration obligations are not met? Since Libra, like other cryptocurrencies, is based on blockchain



technology, Libra will also be classed as intangible assets on the balance sheet (see my article on [Bitcoin on the balance sheet](#)).

*Cover picture: Copyright © fotolia / v.poth*