



## General Tax considerations for Contributors

Introduction.....	2
1. Are the Rewards I receive taxable?.....	2
2. Do I necessarily need to set up a company to provide Contributions?.....	2
3. What happens if my activity is considered to be carried out on a professional basis and I have not registered a business?.....	3
4. When do I have to register a business to continue providing Contributions?.....	3
5. How do I register a business and what type of business should I choose?.....	4
6. What additional obligations do I have to meet if I operate as a professional?.....	4



## Introduction

Only Dust draws the attention of Contributors to the fact that the Rewards received for your Contributions may, depending on the applicable tax legislation, constitute taxable income.

We invite you to contact the competent tax and social authorities and, if necessary, an advisor, in order to ensure your compliance in this respect.

It is your sole responsibility to declare income from the Platform to the relevant tax and social security authorities.

The aim of this report is to apprise Contributors of potential tax obligations arising from engaging in this economic activity. These particulars are not intended as tax advice and do not anticipate all the particularities specific to each Contributor.

### 1. Are the Rewards I receive taxable?

Whether your Contributions are provided in a professional capacity or not, the receipt of Rewards in return for services should in principle constitute taxable income to the extent that this income is subject to renewal.

In most jurisdictions, where the Rewards are cryptos or stablecoins, taxable income is determined by reference to the currency value (in your local currency) on the date the Reward was made available (i.e. the date from which you became free to claim it).

When a payment in cryptos or stablecoins is subject to a vesting period, it is generally appropriate to consider that the income is only taxable on the date it becomes available. It is on this date that the value of the assets in currency should be calculated in order to determine the taxable income.

### 2. Do I necessarily need to set up a company to provide Contributions?

If you have a business whose purpose is to provide services such as Contributions, we will ask you to register as a professional.

However, this is not compulsory for all users.

Indeed, it is generally admitted in most jurisdictions that an economic activity, such as providing Contributions, may be carried out on a professional or non-professional basis.

When the activity is carried out on a non-professional basis, no declaration of activity is generally required, but the Rewards are generally still taxable.



When the activity is carried out on a professional basis, the activity is generally subject to (i) a declaration of existence to the authorities, (ii) value added tax, (iii) a system of social security contributions and (iv) a more burdensome profit tax system.

There are therefore situations in which Contributions may be made by Contributors who do not have a registered business. This is why we do not restrict access to Only Dust to professionals.

### **3. What happens if my activity is considered to be carried out on a professional basis and I have not registered a business?**

In the event of a tax audit, if the authorities consider that your Contributions have been made in the course of your ordinary business, you could be liable for a tax reassessment. This adjustment could result in :

- VAT liability, which would be deemed to have been collected on the value in local currency of your Rewards on the date they were made available;
- social security contributions to be paid ;
- eventually, the application of penalties in addition to late payment interest.

Our Reward allocation policy aims to limit this risk by capping the amount of Rewards that may be allocated to Contributors who have not declared a professional activity. This ceiling is set at \$5,000. Beyond that amount, to continue to receive Rewards, you will need to switch to an "Employed" or "Organisation" business profile and complete a KYB via our partner Sumsub. .

However, we would draw your attention to the fact that this threshold is not set by law and that it is quite possible that your activity could be of a professional nature before the amount of your Rewards has reached this amount.

### **4. When do I have to register a business to continue providing Contributions?**

To continue to receive Reward for Contributions made via Only Dust beyond the \$5,000 limit, you will need to switch to an "Employed" or "Organisation" business profile and complete a KYB via our partner Sumsub.

However, the tax rules applicable in your country may require you to register a business before reaching this threshold.

Generally speaking, most jurisdictions consider that an activity must be declared when it is carried out as a regular business.

Although the criteria vary from jurisdiction to jurisdiction, an activity is generally considered to be carried on as a regular business when it is performed :



- i. on a regular and continuous basis: the regular and continuous nature of the activity results from the repetition over a significant period of time (several months) of the operations that characterize it. The fact that the activity in question can be carried out alongside another profession providing the individual with their main means of livelihood does not, in principle, exclude the recognition of its professional nature.
- ii. for profit: the profitability of the activity can stem from the actual receipt of substantial revenues, as well as from the utilization of methods or approaches similar to those of a professional, indicative of actively seeking clientele. The pursuit of profit must be a clearly pursued objective. Furthermore, the higher the income generated by the activity, the more likely it is to prompt a reclassification.

## 5. How do I register a business and what type of business should I choose?

The choice of legal form for your company obviously depends on your local law and a number of other considerations (how much revenue you expect to generate, how cryptos are treated for tax purposes, what tax and social security regimes apply, etc.).

Generally speaking, most jurisdictions provide for simplified legal forms, suitable for activities carried out on a secondary basis or generating limited turnover (sole proprietorship or one-person company).

If you have any questions, we invite you to contact a local advisor.

## 6. What additional obligations do I have to meet if I operate as a professional?

If the Contributions are provided as part of your regular occupation, you will most likely have additional obligations, determined by your local law.

**Declaration of activity.** As indicated, you will need to declare your activity to the relevant authorities and register it under one of the legal forms available in your jurisdiction.

**Taxation system.** The gains realized will probably be subject to a heavier tax regime. Indeed, most jurisdictions tax income from a professional activity more heavily than incidental income.

If you set up a company with legal personality, this income will be subject to corporate income tax. The part of the income that you pay yourself as salary will be subject to personal income tax.

**Social security contributions.** Income from your business will almost certainly be subject to social security contributions. Depending on the legal form you choose, either all of the income will be subject to contributions or only the part that you actually receive in a personal capacity as remuneration.

**Accounting obligations.** You will almost certainly be required to keep accounts, which may involve consulting a chartered accountant. All cash flows will have to be accounted for, including if the Rewards are received in cryptos. Crypto movements (trades, cash outs) will also have to be tracked



and accounted for. However, in some jurisdictions, certain legal forms allow accounting obligations to be lightened.

**Value added tax (VAT).** You should be liable for VAT. As such, you will be required to issue invoices for Rewards received, including if the Rewards are received in cryptos or stablecoins.

However, if you are not established in France, VAT must not be included on the invoice sent to Only Dust. But if you are established in the EU, specific obligations may apply.

Invoicing terms and conditions are specified in specific documentation (cf. Invoicing guide for Contributors).

**Reporting obligations.** In principle, you will have to file annual profit and loss statements or monthly or quarterly turnover statements, depending on the legal form you choose. You may also be subject to other reporting obligations (VAT, European service declarations, etc.).

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