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NATIONAL SECURITIES MARKET COMMISSION
SURVEY ON CRYPTOCURRENCIES

The National Securities Market Commission published in August 2022 the conclusions of a Survey carried out on different items related to the cryptocurrencies market.

A detailed analysis of the lengthy Survey would certainly exceed the limits of this report, but we consider useful to summarize the main conclusions of the Survey, as follows:

A) With regard to the investors in cryptocurrencies:

a.1. About 9 out of 10 cryptocurrency investors recall having had no information about the risks associated with investing in cryptocurrencies, especially those related to the volatility and loss of the money invested.

a.2. Regarding warnings from public bodies, 40% of the investors indicated that they agreed with these warnings, mainly issued by the Bank of Spain, the Government, the ECB or the Securities Market Commission (CNMV). In the case of the CNMV, 6% of those who agree with these warnings refer to the information recieved from this body.

a.3. The channels through which these warnings are received from public bodies are mainly television or the general press.

a.4. Compared to the data obtained from the general public these investors ahave a better perception of the content and messaging of the advertisements presented on the risks involved in the investment. Likewise, after they see advertisements with similar warnings to those shown, their behavior is more active in terms of seeking additional information

a.5. As expected, the degree of knowledge about cryptocurrencies and the risks associated with them is higher among investors, as the general population shows a much lower level of knowledge. It is therefore striking that 40% of the individuals sampled consider that cryptocurrencies are regulated by law and that 29% consider that they have the same risks as other investments. *(Note from the writer: Both statements being incorrect).*

B) On the profile of the investor in cryptocurrencies.

b.1. The majority of the investors in cryptocurrencies are men (two thirds) with an average age of around 40 years old, although with a special weight of ages between 25 and 44 years old.)

b.2. Most of the investors have a university education and are self-employed (three out of four).

b.3. The majority of investors in cryptocurrencies are concentrated in four autonomous regions: Madrid, Catalonia, Andalusia and Valencia.

b.4. The vast majority belong to a medium-high and high-income class, and according to income level, the most common is that they have monthly incomes of over 3,000 euros.

b.5. Investors in cryptocurrency make a more intensive use of social networks and information technologies (both for online management and information search) than the population as a whole -

b.6. While the general population look for third party advise from experts, cryptocurrency investors are more autonomous in their search for information about potential investments, mainly through product information documents, specialized press and online forums.

b.7. In terms of financial habits, the volume of investment in other products by cryptocurrency investors is not higher than the investors sampled from the general population.

b.8. Only 9% of investors have a fixed monthly amount allocated to this type of asset, accounting - in most cases - for less than 5% of their capital of the relevant individual.

C) On the public general knowledge about cryptocurrencies

c.1. Three out of four citizens claim to have some knowledge about cryptocurrencies. Most of them are men and, in general, under 34 years of age.

c.2. The degree of knowledge about cryptocurrencies is low, since most of the individuals sampled claim to know them by hearsay, but do not know this world. The rest claim to have a basic or average knowledge of the subject and only 2% claim to have a broad knowledge of this type of "currency".

c.3. The three main channels through which the interviewees first learn about cryptocurrencies are the general media (TV, radio...), followed by the information provided by the closest environment (family or friends) and in the hird place, social networks.

c.4. More than one third of those who allege to know about cryptocurrencies do not have an educated opinion on certain aspects of their structure and operation.

D) On the penetration of the investments in cryptocurrencies.

d.1. Some 6.8% of respondents claim having invested in cryptocurrencies, most significantly among men under 34 years of age. In turn, 38% of the sampled individuals do not currently invest but did it in the past, so 4.2% of respondents currently own some cryptocurrency.

d.2. Of the current investors, slightly over 50% (just over 52%) invest occasionally; particularly, when there are falls in the value of the currency or they have extra money to invest; and approximately 10% invest an amount on a regular basis.

d.3. The amount allocated to this type of investment does not account for more than 5% of their total capital.

d.4. Women and individuals over 45 years of age are the ones who have the least intention of investing in the short or medium term; however, they do show a certain favorable attitude towards investing in cryptocurrencies in the future.

E) On the Motivations for Investing

e.1. Among the three most frequent reasons chosen for investing in cryptocurrencies the CNMV highlighted (i) the search for high profitability, followed by (ii) the consideration of cryptocurrencies as a future means of payment and (iii) the current trust in the technology used to create them. This third reason is significantly higher among young people under 24 years of age, while the rest of the reasons given do not present statistically significant differences based on gender or age.

e.2. The technology behind cryptocurrencies is the main driver for almost half of current investors (49%), followed by the profitability and advantages they offer over traditional currency.

e.3. For those who have already invested in cryptocurrencies in the past, the reasons are more scattered among the different motivations; however, the profitability of cryptocurrencies and the willingness to make a try at finding new financial products stand out. -

e.4. The reasons of those who have not yet invested but do plan to do so are more oriented towards adapting to the changes that may be brought about by new means of payment.

F) PERCEIVED BARRIERS

f.1. The main aspects discouraging people who do not currently hold cryptocurrencies and do not intend to invest in them in the future are the perception of the risk that these products entail.

f.2. The sudden fluctuations in value is presented as another barrier.

f.3. And, finally, the fact that cryptocurrencies are not regulated or protected by a legal framework is a drawback for more than half of the potential investors.

2.2. Tax Instructions to declare Cryptocurrencies in 2023.

The regime set forth by the Treasury Office to declare gains and losses with regard to transactions in cryptocurrencies set forth that the declaration of cryptocurrencies must be carried out by using Form 100 (Annual Personal Income Tax Return) and will depend, as with any other activity, on the profits derived from them. In this sense, self-employed individuals who obtain profits equal to or greater than 1,500 euros are obliged to declare them in their annual Income Tax Return (Form 100). Moreover, once cryptocurrencies are included in the tax return of a given year, it will be mandatory to do so every year. For their part, declaring losses is not mandatory unless such losses exceed 500 euros.

Likewise, self-employed individuals will have to include in their Personal Income Tax Return all current transactions with cryptocurrencies as a *capital gain or loss*, except for those transactions that do not generate a change in net worth. Among the most common transactions the treasury office mentions (i) swaps, which involve exchanging one cryptoasset for another; (ii) sales, which are defined as the transmission in exchange for money; or (iii) mining, which is the activity that generates new blocks for blockchain networks and must be declared as Income derived from Economic Activities.

The only exception foreseen by the Treasury when declaring cryptocurrency transactions refers to holding operations, which is the strategy of buying cryptoassets at a specific moment and storing them for years without operating with them. In these cases, there is no obligation to declare them since the treasury office considers that the money has not been spent or used. It will only be obligatory to do so when such funds are actually used.

2.3. VAT on mining operations

The rules that apply to the assessment of VAT in cryptocurrency operations are the same as those governing other activities, except for the mining of cryptoassets, which is not subject to this tax. This is a common criterion throughout Europe and the Spanish Treasury Office respects it because there is no final customer to which this type of services are rendered.

In addition to Form 100, the declarations to be filed by self-employed individuals who operate with cryptoassets are as follows:

Form 721: This is the new Form that our country has implemented to declare cryptocurrencies purchased or held abroad and that comes in lieu of form 720, recently annulled by the European Court of Justice. The new form will be valid for the submission of data relating to 2022, so self-employed individuals will have to file it for the first time in 2023.

Form 714: Since cryptocurrencies increase the value of the wealth of the self-employed individuals who operate with them, the Treasury obliges these taxpayers to file the Wealth Tax Declaration Form 714, in such cases where they exceed the limit of this type of assets established by their autonomous community of residence.

2.4. Penalties foreseen

The Treasury foresees a series of penalties for self-employed workers who do not declare their virtual currencies or for those who make a mistake in the presentation of the forms.

The most noteworthy are the fines foreseen for self-employed taxpayers who hide information from the Treasury Office, which can reach up to 5,000 euros, and the penalties for submitting the relevant declarations after the deadline, in which case the amount to be paid will be 100 euros for each non declared item of information referring to each asset item, with a minimum of 1,500 euros.