

# Tax Aspects of Virtual Worlds

Aleksandra Bal

## Introduction

The thesis looks at potential tax issues arising from virtual worlds. Virtual worlds are computer-generated online environments where users, taking the form of avatars, can interact with one another and engage in trade in virtual items. It is debatable how those transactions should be treated from the perspective of income tax law and VAT. Given the growing popularity of virtual worlds, some guidance in this area is not only desirable but also necessary. Exploring the reach of tax laws into virtual worlds responds not only to the practical needs of their participants but also permits an evaluation of the core principles of income taxation.

## Research Questions

- Main question: What are the tax consequences of transactions in virtual items?
- Do virtual transactions give rise to taxable income or can virtual profits be considered as non-taxable entertainment value?
- What is the correct form of taxation for virtual activities: VAT, income tax or some other form of tax?
- What obstacles would a collection of tax on virtual profits face and how to overcome them?
- Who is the right taxpayer: users or game operators?
- What constitutes a legal evaluation of virtual world and what should be regarded as a policy decision left for the virtual world developers to consider?

## Methodology

- Investigation of selected virtual worlds to develop their classification
- Analysis of the income concepts in selected jurisdictions with different systems of taxation (global vs. schedular)
- Examination of the VAT treatment of in-world transactions

## Contact

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