

## **Legal and Tax Implications of Tokenization of Property**

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It has been long since terms like virtual currencies, blockchain and tokens have gone from being mere “buzzwords” which sparked discussion at business events and scientific conferences on “what the future brings” to something of now and today. Both virtual currencies as blockchain technologies have become firmly integrated into the EU legal systems and economies.

Especially in relation to blockchain last years have shown that there is common understanding among experts and policy makers both at the EU and member state level that this technology extends far beyond the world of virtual currencies. Especially the EU legislative activity in the recent years demonstrates a shift from purely anti money laundering and terrorist financing oriented legislative activity like the 4<sup>th</sup> AML directive, to analytical and activity focusing and blockchain, distributed ledgers technologies and digital assets as a whole.

It is however natural that not only authorities have been observing the development of blockchain and DLT technologies. Thanks to blockchain, digital assets can be created by almost anyone with the technical know-how and in the process referred to as “tokenization” be used and distributed in a number of innovative ways. Digital assets have been to date successfully used as a cost effective way of new project and business funding in initial coin offerings, and been used to represent resources within a sharing economy or environment, rights, identity or attestations of facts, physical assets, securities or even property.

The objective of the paper shall be to focus on the use implications of tokenization of property in particular real estate, what has become one of the first cases of tangible uses of tokenization of the economy. It serves to fluidize, accelerate and address the problems of lack of liquidity in the real estate market. As tokenization in this case therefore is a way of “dividing” property in order to sell it o investors this process has implications both in the legal and tax field. The proposed paper will seek to present a critical analysis of these issues and indicate what are the potential areas of problems which can emerge due to the fact that legislation and regulation have a problem with keeping up with the rapid technological development of blockchain and DLT.

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