

## **Evaluation of the German Federal Ministry of Finance letter of 27 February 2018**

Herford, 1 March 2018 - On 27 February 2018, the German Federal Ministry of Finance published a letter on the VAT treatment of Bitcoin and other so-called virtual currencies in connection with the ECJ ruling of 22 October 2015 (C-264/14, Hedqvist) on its website.

Based on the results of the discussions with the supreme tax authorities of the federal states, the Federal Ministry of Finance states that operators of trading platforms who make their website available to market participants as a technical marketplace for the acquisition or trading of Bitcoin are concerned with the facilitation of purely IT-based processing and that a tax exemption in accordance with Art. 4 (8) of the Value Added Tax (VAT) Act does not come into consideration for this purpose.

Following an initial non-binding tax assessment of the BMF letter by external consultants, Bitcoin Group SE continues to assume that its subsidiary Bitcoin Deutschland AG will continue to render VAT-free brokerage services on the platform Bitcoin.de pursuant to Art. 135 (1) (e) of the VAT Directive within the framework of the investment brokerage of cryptographic currencies which are subject to authorisation, since it is much more than just a pure computerised technical processor. If necessary, Bitcoin Deutschland AG will also defend this view up to the European Court of Justice, where the Federal Republic of Germany was not able to convince the court with its opinion in the "Hedqvist" case, which concerned the VAT classification of the Bitcoin trading.

However, if the opinion of the Federal Ministry of Finance should, contrary to the opinion of Bitcoin Group SE, also be applicable to Bitcoin Deutschland AG, the company, Bitcoin Deutschland AG, would have to pay retrospectively VAT for commission income received in connection with the brokerage of cryptocurrencies for the tax modifiable years, plus interest if applicable. In addition, future commissions for the brokerage of cryptocurrencies would also be subject to VAT, so that the earnings situation of Bitcoin Deutschland AG would decline by up to 19% for past years and in the future and would therefore also have a negative impact on the consolidated financial statements of Bitcoin Group SE.

Since both the current liquidity and the assets of Bitcoin Deutschland AG are much higher than any possible tax arrears and the risk of a defeat in the final instance of a possible legal proceeding is regarded low according to current knowledge, Bitcoin Group SE looks forward to the further development with confidence.

### **Important notice:**

This ad hoc announcement is solely a translation. The German original is binding.

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