

Aprio Blockchain Services

MANAGE THE FINANCE AND TAX COMPLEXITIES OF BLOCKCHAIN VENTURES WITH APRIO

Across industries visionary CEOs are turning to the blockchain to reinvent the nature of commercial transactions and increase the value of their businesses. Moving beyond the hype and promise, those already in the blockchain and those considering entrance, need to understand their regulatory, tax and accounting obligations to manage risk and safeguard value.

Aprio, LLP has been providing tax, audit, audit readiness and consulting services to companies on the blockchain for more than five years. This experience has enabled us to develop accounting and financial reporting best practices that help companies navigate the domestic and international accounting and tax obstacles associated with tokenization, initial coin offerings and cryptocurrency. Let Aprio help you maximize the value of your blockchain ventures.

Blockchain expertise and guidance to build value:

More than 80 percent of Aprio's technology clients are in the fintech and blockchain space with domestic and international operations. Let us handle the complex domestic and global tax and accounting challenges that arise from your crypto and token transactions. From entity structure to implementing tax strategy and preparing for an audit, Aprio can help you:



- Understand the tax and GAAP consequences of your cryptoassets and token activities
- Recognize revenue of tokens for tax and GAAP, including deferral of revenue and timing of recognition
- Determine whether the issuance in exchange for cryptocurrencies or fiat should be recognized as revenue, liability or equity for tax and GAAP purposes
- Save significant income tax by adjusting your fiscal year end
- Understand the cost and benefits of doing your token sale as an LLC versus a C-corporation
- Implement the best approach to track crypto-transactions and calculate realized and unrealized gain/loss for tax and GAAP purposes
- Account for the tax and GAAP consequences of transferring virtual currency to your employees and non-employees
- Determine if your company is eligible for a reduced tax rate if you sell tokens to non-U.S. buyers
- Determine if you qualify for the new Foreign-Derived Intangible Income (FDII) deduction



Those already in the blockchain and those considering entrance, need to understand their regulatory, tax and accounting obligations to manage risk and safeguard value.



- Reduce your U.S. effective corporate tax rate on U.S. R&D initiatives with state and federal R&D tax credits
- Understand the tax consequences for U.S. controlled foreign corporation's participation in a token sale
- Position foreign subsidiaries participating in token sales for U.S. income tax purposes
- Understand how the new Tax Cuts and Jobs Act provisions, such as GILTI and FDII, will impact your foreign corporation's token sale
- Address consolidation requirements under the Variable Interest Entity (VIE) rules
- Account for incoming and outgoing cryptocurrencies and tokens
- Understand how ASC 606, Revenue from Contracts with Customers, will impact your net income and KPIs such as EBITA, for reporting periods after the mandatory private company adoption deadline of Dec. 15, 2018

Audit readiness services

Accuracy and reliability of your accounting transactions and financial records is critical to making strategic business decisions and ensuring a smooth audit. We support your leadership and your accounting team in improving the quality of financial information by identifying opportunities to improve the efficiency and effectiveness of the internal controls of key operating cycles. We assist in the assessment and improvement of:

- Reconciliations, such as transactions to/from your wallet, your proprietary platform, the blockchain and the general ledger
- Realized and unrealized gain/loss calculations and corresponding adjustments to your cryptoasset balances
- Templates that help supply information for the audit
- KPI models relevant for your business

Throughout this process, we also advise and train your accountant/bookkeeper to ensure a smooth transition.

Information assurance and risk management services

Your business model depends on the security and resiliency of your transaction processing, including the integrity of the smart contract embedded in your blockchain-based processing. As part of their due diligence, potential customers and partners will need independent assurance that your risk management meets their operational and compliance risk management requirements. Aprio helps you meet these requirements through comprehensive risk assessment and assurance and certification reporting, including GDPR, SOC 2, PCI, ISO 27001 and other leading protocols.

For more information about Aprio's Blockchain Services, contact:



Mitchell Kopelman
Partner-in-Charge,
Technology & Blockchain
Services
mitchell.kopelman@aprio.com
[404.898.8231](tel:404.898.8231)



Jagruti Solanki
Partner,
Technology & Blockchain
Services
jagruti.solanki@aprio.com
[770.353.3047](tel:770.353.3047)

Disclaimer

Any tax advice contained in this communication is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or under any state or local law or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein. Aprio does not provide investment or securities advice. Please do not hesitate to contact us if you have any questions regarding this matter. Aprio, LLP is affiliated with Aprio Wealth Management, LLC a registered investment advisor. Aprio Wealth Management, LLC does not offer investment advice related to token or coin offerings or virtual currencies. No tax advice contained in this circular constitutes a recommendation to buy, sell or hold a particular investment. Neither Aprio, LLP nor Aprio Wealth Management, LLC accepts any fees associated with the sale of securities in connection with token sales.