



AMERICAN UNIVERSITY OF ARMENIA

ՀԱՅԱՍՏԱՆԻ ԱՄԵՐԻԿԱՆ ՀԱՄԱԼՍԱՐԱՆ

LL.M. Program

ԻՐԱՎԱԳԻՏՈՒԹՅԱՆ ՄԱԳԻՍՏՐՈՍԻ ԾՐԱԳԻՐ

TITLE

**CROWDFUNDING IN ARMENIAN LEGISLATION, HOW IS THE
CROWDFUNDING REGULATED, ARE THE CURRENT LAWS AND
METHODS OF TAXATION SPECIFIC ENOUGH FOR CROWDFUNDING**

STUDENT'S NAME

TIGRAN ALEKSANDR BAZARCHYAN

SUPERVISOR'S NAME

PROF. NSHAN MATEVOSYAN

NUMBER OF WORDS

9060

Abstract

The 21st century brings up a lot of new opportunities. The startup culture is developing at a high pace. New alternative methods of financing are being created that provide unique opportunities to small enterprises and startups. The legal framework and regulations of developed countries are hardly keeping up with the overall progress pace. One of the new methods of alternative financing is crowdfunding. The crowdfunding had paved its way to the Republic of Armenia as well as most of the newly established companies, and startups are using crowdfunding as a method of financing. The legal and regulatory frameworks are too general and broad for the newly created phenomena. The lack of specification in Armenian law, mainly in Tax and Civil codes unnecessarily damages the financial capabilities of already financially unstable startups.

Keywords: Crowdfunding, Crowdfunding models and platforms, startups and Small and Medium Enterprises, Backers (contributors), investors, funds, alternative financing.

Contents

ACKNOWLEDGEMENTS	4
INTRODUCTION	5
CHAPTER 1 Crowdfunding the definition and legal relations:	8
An attitude of Tax authorities towards the Crowdfunding	15
CHAPTER 2 International Practice of Taxation of crowdfunding funds	17
United Kingdom	19
Australia	22
United States of America	25
1099 K form in the US and what it means to the company	26
US regulations of equity crowdfunding	27
CHAPTER 3 Armenian regulations and the crowdfunding	29
Legal Analogies,	30
Crowdfunding under Armenian Tax system and legislation	31
Counting Taxes	32
Amendments and Supplements to Tax Code	33
Equity crowdfunding	34
The Modifications in The Tax Code and equity crowdfunding	35
BIBLIOGRAPHY	38

ACKNOWLEDGEMENTS

This work would not have been possible without the support of the LL.M. Program, State Revenue Committee of the Republic of Armenia, specifically the department of Administration Methodology, Procedures and Service Section of Taxes and Compulsory Fees Methodology.

I am especially indebted to Professors at the American University of Armenia Nshan Matevosyan supervisor of the thesis, Associate Attorney at Arlex International Ltd. And Professor Mesrop Manukyan General Counsel of the FAST foundation. Also I am especially grateful to, Mr. Hovhannes Harutyunyan, Insolvency expert at Armbusinessbank CJSC.

I am grateful to all of those with whom I have had the pleasure to work during this project.

INTRODUCTION

Alternative financing¹ methods have been gaining popularity recently. In the age of the startups and emerging small and medium enterprises for which the traditional methods of financing are out of reach the alternative financing provides a much-needed boost financially. One of the most popular and widely spread methods of alternative financing is the crowdfunding which has become a popular trend in the global market. It has been described as an “engine of growth” as it supports and boosts entrepreneurial activities of developing startups. According to

¹ Alternative finance refers to financial channels, processes, and instruments that have emerged outside of the traditional finance system such as regulated banks and capital markets.

Crowdsourcing.org and the World Bank, crowdfunding will surpass \$300 billion in funding transactions by 2025.²

The crowdfunding is a phenomenon that includes a large variety of aspects and characteristics. The crowdfunding contains no restrictions in terms of everyone is eligible to kick off a crowdfunding campaign with any aim (donation, profit, recognition, etc.) Critical characteristics of crowdfunding include backers (contributors) contributing money to a campaign and getting in return, at most, an acknowledgment; reward crowdfunding also entails backers giving to a campaign and getting in return a product or a service as a perk. Another type of crowdfunding is the equity crowdfunding which allows startups and Small and Medium Sized Enterprises (SMEs) to raise funds and in return provide the backers with shares in the company.

Globally crowdfunding has its loopholes and gaps in the regulatory framework, due to it being a new method of financing, however specifically formulated laws and regulations could provide a better ecosystem for the startups that use crowdfunding as a method of corporate financing.

On the other hand, the equity crowdfunding has its own unique characteristics, hence when analyzing it the different laws are applicable. The equity crowdfunding model similarly to product crowdfunding provides rewards towards the backers of the campaign; however, it provides rewards in the form of stock. The equity crowdfunding is unique since it provides an

² Moriah Meyskens and Lacy Bird, *Crowdfunding and Value Creation*, [Entrep. Res. J.](#) 157 (2015)

opportunity for regular people who do not have a deep financial knowledge or are not involved in the equity financing to become investors of small startups and microbusinesses.

Another factor that contributes to the sophisticated system of crowdfunding is the fact that it contains a digital factor. As the paper further discusses, in most of the times the campaign creators and their backers enter into the agreement by clicking on the accept button and agreeing with absolute terms. This paper provides a more specific definition of crowdfunding and discusses potential legal relations that arise in the process of crowdfunding.

The paper also provides the international perspective towards the crowdfunding and how different countries treat the crowdfunding and how the tax authorities of those countries treat the funds raised in the crowdfunding campaign. Many countries, including European Union (EU) member states and the United States of America (USA,) had undertaken various steps in the direction of creating a better environment for the crowdfunding practice to flourish, which directly impacts the startups and small enterprises. The paper cites an analysis of international documents and policy considerations such as the Jumpstart Our Business Startups Act (JOBS Act). The paper also mentions the decisions and opinions of tax authorities of the US, United Kingdom, Australia, and EU member states.

The paper also provides an analysis of how potentially the Armenian tax authorities would assess the funds from crowdfunding. This, however, does not mean that the paper only contains provisions and articles from the Republic of Armenia Tax Code, No. HO-165-N, dated October 04, 2016 (“Armenian Tax Code”), but also the Republic of Armenia Civil Code, No. HO-239, dated January 1, 1999 (“Armenian Civil Code”), Republic of Armenia The Law On

Accounting, No. HO-515-N, Dated February 22, 2003, (Law on Accounting) the Republic of Armenia Law on Stock Exchange Market, HO-195-N, Dated February 29, 2003 (Law on Stock Market).

The startup ecosystem of Armenia is developing fast, and for the country to be able to benefit from it and not lose the capital that potentially successful startups can bring to Armenia, it needs a flexible set of laws and regulations that can fairly tax the newly formed startups and microbusinesses. The Armenian legislation does not provide any specific description or definitions of crowdfunding. The legislation does not define crowdfunding as the term itself provides no regulation specified for the funds raised from crowdfunding activities. The funds raised from the crowdfunding campaign, or crowdfunding activities may be subject to taxation under profit tax in the Republic of Armenia.

Among the countries, global IT leaders such as United States, United Kingdom or Australia³, have been adjusting their legislations to the crowdfunding; either it is equity or product crowdfunding. In the Armenian reality, crowdfunding is yet to be determined and defined. Considering the ongoing growth of the IT sector, based on its contribution to the GDP of Armenia according to BusinessWire, countryeconomy.com, the preparation of the specific regulation would be proven to be beneficial for the startup culture in Armenia.

In the concluding remarks and final chapter, this paper discusses the problems and obstacles that the Armenian based established startups and SMEs might expect.

³ Comptia, "IT Industry outlook" available at <https://www.comptia.org/resources/it-industry-trends-analysis>
40 Marshal Baghramyan Avenue

Disclaimer: As mentioned previously, the crowdfunding involves a lot of aspects and is diverse. This paper discusses two of the most common methods of crowdfunding (equity and reward based). However, the field also includes crowdfunded lending (peer to peer lending) and invoice trading crowdfunding. Also, the crowdfunding entails a lot of legal complications which are specific for the other fields of law, such as legal risks with intellectual property rights, trademark law, and consumer protection. This paper mainly concentrates on more corporate and tax issues that startups might face by the Armenian Tax Code, Civil Code and other laws and regulations mentioned in the paper.

CHAPTER 1

Crowdfunding the definition and legal relations:

*“Crowdfunding is the use of small amounts of capital from a large number of individuals to finance a new business venture”*⁴. The idea behind crowdfunding is that it provides a forum for ideas to anyone with creative idea who can pitch that idea to the large public and ask for support of the realization of the idea. The support entails a financial contribution of any kind, and for that support, people can get various perks, depending on the project. The projects seeking financing through crowdfunding are usually *“initiated in a public announcement ...to receive funding, assess the market potential and build customer relationships.”*⁵

There are different forms of crowdfunding, but this paper will concentrate on the two types: the pre-ordering (reward based) and profit-sharing (equity based). The first method, the

⁴ Investopedia, “Crowdfunding”, 2018, available at <
<https://www.investopedia.com/terms/c/crowdfunding.asp> >

⁵ Thomas Müllerleile, Dieter William Joenssen, Key success-determinants of crowdfunded projects: an exploratory analysis (2014)

40 Marshal Baghramyan Avenue

Tel: (37410) 51 27 55

reward based crowdfunding calls upon a consumer to pay for pre-order of the product or receive a reward back for the contribution the person has made to campaign (the famous crowdfunding platforms, Kickstarter and Indiegogo utilize this form). The second method entails that the supporters of the campaign gain share from future profits raised by the campaign. Several variables arise when defining the relations between the parties as for the reward-based crowdfunding the question is when exactly the contributor becomes a consumer, and that answer varies based on national laws of the country where crowdfunding is conducted. In the second method, the contributors are not consumers since they do not utilize the product, but instead believe in its success in the market and their motivation is a financial return.

Reward crowdfunding is considered as the most popular and successful method of crowdfunding. Regardless of being a new financing method, the reward crowdfunding has gained over 1.5 billion in the market. The most famous USA based crowdfunding platforms are reward crowdfunding platforms - Kickstarter and Indiegogo. Rather receiving a financial return, the first contributors become pioneers of the new product. The rewards can vary from a specific product to the main role in a movie, depending on the type of campaign and the amount of the contribution.

The aims for reward-based crowdfunding have a large variety of characteristics and touch upon broad objectives which make crowdfunding as a phenomenon difficult to assess it legally. A reward for the contribution can be a promise of being a pioneer of the product whenever it is ready. Before making a contribution, the person gets informed about legal obligations of contributors and campaign owners. In the platform, a person who wants to fund a certain project

may agree to the terms and conditions of crowdfunding by a click of a button. However, the obligations do not include the guarantee from the campaigner to deliver a product, only because the product might be in the conceptual stage. This chapter will, later on, expand on the obligations of the campaign owners that are usually found in the crowdfunding contracts.

On another basis, being even more complex compared to the reward crowdfunding, equity crowdfunding has just begun rising popularity among entrepreneurs and startups. Similar to reward crowdfunding, the contributors receive a reward in equity crowdfunding. However, the reward is in the form of a dividend

Regardless of its practicality, initially this model had been problematic because of its non-compliance with the USA security law, and at some point, it was considered as illegal. That all changed on April 2012, to assist the development of the startups and small businesses, Congress enacted the Jumpstart Our Business Startups Act (JOBS Act).⁶ The Securities and Exchange Commission (SEC) legalized the equity crowdfunding and starting from 2016 the companies could, without issues, offer and sell securities under the equity crowdfunding model. From the legal perspective, the equity crowdfunding has a lot of complexities, as the contributor supports the project by buying a stake in the company with the future return chance. The value of the stake “must be estimated while entrepreneurs should generate equity value in the company, which is extremely difficult to assess.”⁷ The famous equity crowdfunding platforms in the US are

⁶ Eric R. Smith and Parker B. Morrili, Crowdfunding: The Real Thing Is Almost Here, Business Law Today (November 2013).

⁷ Moriah Meyskens and Lacy Bird, “Crowdfunding and Value Creation” (2015)161.

EquityNet which was the first platform of such kind. This method became popular in Europe with Crowdcube being the first platform that was established in Europe.

The procedure of the crowdfunding is simple. An individual who came up with the idea prepares a business plan, presents his/her idea in the platform, shows the reasons why people shall contribute and support the project, the main objective for the idea owners is raising funds for the realization of the project. The motivation for the people to support the project is the expectation of a return in any form in case if the project is successfully funded and executed later. The crowdfunding campaign could be of any variety and kind, starting from crowdsourcing for a movie shooting, till the fundraising for the presidential campaign. The return of the contributor could also take any form, and it can be the reward, equity of a company or a social reward (a thank you note, social media thank you post).

There are three main players involved in the described transaction. The first two are the creator of the campaign and the supporter of the campaign. The third player is the specified crowdfunding platform where the creator and the supporter meet. The platforms receive a commission from every order made or from the eventual outcome of the project. The platforms have their regulations regarding the campaigners and the supporters as a part of the legal obligations which can be found in their terms of use. More precisely the platforms usually impose the legal obligations as a part of a contract. The legal obligations of the campaigners according to the indiegogo crowdfunding platform are:

“As a Campaign Owner, you are entering into a legal agreement with a Contributor when they make a Contribution to your Campaign, which includes the following obligations (in addition to the all other Terms and Additional Policies):

- a. Make good faith efforts to fulfill the Perks associated with a Campaign in the timeframe that is communicated to Contributors.*
- b. Immediately notify Contributors if there are obstacles or delays.*
- c. Respond promptly and truthfully to all questions posed to them by Contributors.*
- d. Provide substantive and quality updates at least once a month to Contributors.*
- e. If you have received the Contributions from your Campaign, issue refunds to Contributors if you cannot deliver Perks (the returns).*
- f. Comply with all applicable laws and regulations in the use of Contributions and delivery of Perks.*
- h. Please remember that as a Campaign Owner, you are solely responsible for fulfilling the obligations of your Campaign and delivering Perks. If you are unable to perform on this, or any of your other legal obligations, you may be subject to legal action by Contributors”*

Judging from the above-mentioned points that are the obligations of the campaign owners towards the contributors, the conclusion could be drawn that the general obligations of the campaign owners are building around two concepts, always keep the contributors updated and do everything possible and in good faith to ensure that the campaign would not fail.

Aside from the mentioned points the legal obligations for the campaign owners also include the protection schemes and measures of the contributors' data.

Also before contributing, the user is warned that there are no guarantees that the promise of the campaign owner would be fulfilled and that their contributions similar to all other contributions “are made voluntarily and at the sole discretion and risk of the Contributor.”⁸

As described the date for the delivery of a reward does not have specific timeframe, but it is rather based on the campaigner's capabilities. Also, what is important to notice is that in the point H of the above-mentioned legal obligations, the campaigner is obliged to follow the rules which also include a separate Refund Policy, according to which the campaigner should make refunds in case of inability to deliver the perk (reward). This is a platform-specific requirement since some platforms do not require refunds on behalf of the campaigners.

The legal status of the crowdfunding platform can be described as the intermediary. The crowdfunding platform provides the forum for entrepreneurs to share and realize their ideas. However, there are some unique characteristics of the status of the platform. In terms of use of Indiegogo crowdfunding platform under the section of the platform's role there is a point which states:

“You (Campaign owner) are responsible for your Campaigns, even if you engage our help. The platform may offer services to Users, including without limitation, helping with

⁸<https://www.indiegogo.com/about/terms#/whatsindiegogo> Wrong reference form. Make this in line with the Bluebook.

drafting Campaign content, assisting with the design of Campaigns, and referring vendors and other service providers to Campaign Owners. Such services will be subject to separate agreement between Campaign Owners and Platform. Even if we help with your Campaign, Campaign Owners remain solely responsible for the Campaign and must comply with all obligations herein as the only responsible party for the Campaign.”⁹

The above-mentioned rule indicates that the platform minimizes its involvement and connection with any project as much as possible.

What makes the crowdfunding contract unique is the fact that it does not penalize the campaign owners for failure to deliver the promised goods. This unique specification separates the crowdfunding contract type from the pre-sale contract. The campaign creators usually appeal to the potential supporters based on the prototype or the general concept of a certain product that either does not exist or is not in the mass production. Eventually one may interpret that the subject of a contract between the campaign owner and the supporter is not the actual product, but an obligation from campaign owner to act with due care and in good faith to realize the product concept presented to the supporter.

For the equity based crowdfunding the different type of contract is utilized with different obligations. Similar to the reward-based crowdfunding, equity crowdfunding is less common among entrepreneurs. Essentially, it allows the entrepreneurs to go public in terms of their

⁹ Indiegogo, “Terms of Use”, 2019, available at < <https://www.indiegogo.com/about/terms> >
40 Marshal Baghramyan Avenue

Tel: (37410) 51 27 55

startup's organization and make the stocks of the organization publicly available for purchase. In other words it is the Initial Public Offering through crowdsourcing¹⁰. The equity crowdfunding allows both the accredited and non-accredited investors (some jurisdictions do not have separate criteria or requirements for persons to become an investor) to take a share in a newly established and promising start up. In exchange for the monetary support, the backers receive a chance to get a return in form of dividends if the business they have invested in flourishes.¹¹ In some countries, this model has raised several controversies specifically in the US because of the in non-compliance with the laws on securities. Before the US Congress enacted the JOBS Act, the equity crowdfunding was illegal in the US.¹² Eventually the Securities Exchange Commission legalized equity crowdfunding.

The main actors are again the same as with the reward crowdfunding, and the requirements from the platforms towards the contributors and campaign owners are based on the same grounds and are similar in the main provisions.

The crowdfunding is a relatively new phenomenon and if in case of the reward crowdfunding method there is a lack of legal certainty at some points (as will be later discovered

¹⁰ The practice of obtaining information or input into a task or project by enlisting the services of a large number of people, either paid or unpaid, typically via the Internet.

¹¹Fundable, "Starting Point", Available at <<https://www.fundable.com/learn/resources/guides/crowdfunding-guide/what-is-crowdfunding>>

¹² Eric R. Smith and Parker B. Morrili, Crowdfunding: The Real Thing Is Almost Here, Business Law Today (November 2013).

in the paper). The equity-based crowdfunding, on the other hand, is problematic in terms of complex regulations by some countries over the equity market investment.

An attitude of Tax authorities towards the Crowdfunding

The money generated from crowdfunding campaigns, in a lot of cases, happens to go under an unaddressed grey area in terms of taxation. It depends on the country's legislation whether funds raised from crowdfunding campaign could be interpreted as income by the tax authorities. The platforms do not describe the tax situation.

Several factors come in to determine the tax consequences for funds raised by campaigner. The main two factors are:

1. The campaigners' intent and factual situation, and
2. Whether backers receive goods or services in exchange for their contributions

However, taxation can get complicated. For instance, for the large corporations, the primary purpose for the launching of the crowdfunding campaign can be the research of the market and how the market would react to the new product line.

Overall the crowdfunding is not regulated. The regulations and laws that are in place provide little legal certainty to the issues. This paper aims to find loopholes in the currently utilized tax codes of countries such as United States, United Kingdom, Australia and other countries. The paper discusses how negatively the uncertainties over the crowdfunding in the legislations can impact the startup culture. This paper also argues that right regulations would

provide an environment where crowdfunding would thrive and that the current regulations, taxation methods and legal measures that assimilate the relationship between crowdfunding campaign owners and supporters into the buyer and seller relationship hurt the startup culture of a country and create an obstacles for it development rather than provide a legal basis for the crowdfunding.

CHAPTER 2

International Practice of Taxation of crowdfunding funds

The EU commission has several directives that are aimed at the regulation of the crowdfunding activities. The regulations mainly support the crowdfunding activities and the startups that choose this method of corporate financing.¹³

The European Union's tax policy on the crowdfunding activities varies from one member state to another. Also, the two types of crowdfunding are also treated differently by interpretation of different laws. What shall be considered when analyzing the EU's approach is the fact that the initial objective for the EU is the harmonization of any regulation among the member states. This chapter will concentrate on separate member states' practice and two directives proposed by the

¹³ Financial Stability, Financial Services and Capital Markets Union, "Commission proposal for a regulation on European crowdfunding services providers", 2018, available at https://ec.europa.eu/info/publications/180308-proposal-crowdfunding_en

EU commission that addresses reward and equity crowdfunding. Digital Services tax: specifically is aimed at the reward crowdfunding method.¹⁴

Crowdfunding directive as a part of fintech Action plan by EU, New financial services do not always fall fully under the existing EU regulatory framework; this is the case of crowd and peer-to-peer activities for start-ups and scale-up companies. A large number of respondents to the FinTech consultation highlighted that investment-based and lending or loan-based crowdfunding activities would benefit from a sound and proportionate EU regulatory framework. Member States have already adopted bespoke regimes which are often conflicting and hampering the development of a Single Market for crowdfunding services.¹⁵

Some of EU member states have taxation methods that provide tax benefits and exemptions for donations to non-profit making ventures. Campaigners argue that contributors should receive the same tax deductions for the funds they donated through crowdfunding platforms.¹⁶

The Digital Service Tax (DST) Directive proposal aims to stabilize the potential disparities among the member states within the EU. Aside from stabilization of the taxation

¹⁴ PricewaterhouseCoopers, "Assessing the potential for crowdfunding and other forms of alternative finance to support research and innovation", 2018, available at <https://www.pwc.com.au/tax/taxtalk/assets/alerts/pwc-bcm-ec-dig-tx-pkg.pdf>.

¹⁵ European Commission, "COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS", 2014, available at https://eur-lex.europa.eu/resource.html?uri=cellar:3e0b89b3-b6eb-11e3-86f9-01aa75ed71a1.0002.05/D OC_1&format=PDF

¹⁶ Ramos, "Crowdfunding and the Role of Managers in Ensuring the Sustainability of Crowdfunding Platforms", 2014, Available at <https://core.ac.uk/download/pdf/38627890.pdf> >

methods on digital services the DST proposal would provide a coordinated and separate approach towards the taxation of the specific revenues that the entities gain from digital activities.

The new DST would enter into force as of January 1, 2020, and would be levied at the single rate of 3% on gross revenues:

- *“The DST would apply to certain digital services, including the supply of advertising space, the making available of marketplaces that facilitate transactions directly between users, and the transmission of collected user data, while the supply of digital content or payment services, as well as trading venue and regulated crowdfunding services, would be excluded”.*¹⁷

This part applies to the crowdfunding platforms and more specifically the equity crowdfunding platforms, however the crowdfunding revenues of the campaigners will fall under DST starting from January 1, 2020.

What is more the EU commission is intending to do as a part of the directive of DST is to introduce a threshold which will define the companies that are the subject of the DST: The threshold is the following

- a) Entities with a total annual worldwide revenue above EUR 750 million, and

¹⁷Klynveld Peat Marwick Goerdeler, “EU Commission releases package on Fair and Effective Taxation of the Digital Economy”, 2018, available at <https://home.kpmg/be/en/home/insights/2018/03/eu-commission-releases-package-on-fair-and-effective-taxation.html>

- b) a total annual revenue stemming from digital services in the EU above EUR 50 million.

United Kingdom

Some of the EU member states provide deductions and incentives for donations and certain forms of financial investments. Investments into the companies that have the research, development and innovation as their objective are eligible to get their taxes over those investments or funds to be deducted. For the EU member states here arises a unique problem of divergent tax that arises as a consequence of a cross border trade or investment from one EU country to another. The divergent tax may have an impact on people's choice of in which member states' startup to invest as well as for the startup to choose where it is more beneficial to incorporate.¹⁸

The United Kingdom (UK) has developed a tax incentive specifically designed for crowdfunding activity and incentivization¹⁹ of investment in that sector. The UK's taxation methods, compared to the other countries' methods, does not require listing from companies in order to be able to freely sell stock which is great incentive for startups and small, unlisted and high-risk companies to raise a capital. The described method is the Enterprise Investment Scheme (EIS) (GOV.UK, 2013). At the same time UK developed schemes to provide incentives to the investors to invest their money in early stage startups. The Seed Enterprise Investment

¹⁸ PricewaterhouseCoopers, *supra note at 16*

¹⁹ The action or process of making something (especially a product, scheme, etc.) attractive by offering an incentive for purchase or participation; the provision of (usually financial) incentives.

Scheme (SEIS) is the one that provides a tax relief of 50% of the cost of the shares and capital gains tax relief opportunities.

“ Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) are two different tax benefits offered in the UK that are associated with crowdfunding. The EIS:

- Is for investors in smaller, higher-risk trading companies,*
- Offers 30% income tax relief on a maximum investment up to GBP 1 million.*

the SEIS programme was created to provide tax relief to private investors who invest in early stage companies. The SEIS:

- Is for very early stage companies,*
- Has an annual limit of GBP 150,000 raised, but this may be used in conjunction with EIS. The company:*
- May not have more than GBP 200,000 in assets when shares are issued,*
- Must have fewer than 25 employees,*
- Must not be listed,*

· *Cannot have existed for more than 2 years,*

· *Must not have received investment from a Venture Capital Trust”.*²⁰

Tax exemptions at national level for investments in Alternative Financing for the UK

The UK tax exemption methods that also include the incentives for the investors as well, stimulated and contributed into the growth of the UK economy and specifically crowdfunding market. Hence the deduction of the taxes of the income of the investors from the investment made through crowdfunding.

Australia

The crowdfunding as a phenomenon is relatively new but very active in Australia. The approach of the Australian Tax Office (ATO) towards the crowdfunding activities is not specified. The assessment of the income is determined based on the intention of the campaigner. The ATO decides on the intention based on the following two main factors:

1. If the individual carries on a business:

The ATO accepts that not all taxpayers who engage in crowdfunding will

²⁰ European Commission, “Assessing the potential for crowdfunding and other forms of alternative finance to support research and innovation”, 2017, available at https://eurocrowd.org/wp-content/blogs.dir/sites/85/2017/04/ECN_assessing_the_potential_crowdfunding_for_research_innovation_Jan2017.pdf.

automatically be carrying on a business either when the project launches or when the project is complete.

According to the ATO, it realizes that not all taxpayers who are crowdfunding campaigners are considered to be carrying on a business. The ATO gives a positive initiative to startups. If a crowdfunding campaign is of a preparatory nature, meaning the campaigner uses the raised funds fully on the development of a project, then the income received from the crowdfunding activity will generally not be subject for taxation.²¹

2. Profit making scheme:

ATO pays precise attention towards the fact, if the campaigner utilizes the profit-making scheme in the crowdfunding campaign. If the campaigner conducts crowdfunding mainly with the fundraising objective, then the income is assessable and should be taxed, however the expenses connected with the execution of the profit making process may be deductible²². The Australian authorities also pay attention towards the timing of income depending on the total of raised funds. For the reward based method of crowdfunding the Australian Tax Office will view the funds raised as income from the moment when the promised good is delivered to the supporters. This method of tax accounting shows a better reflection of the business activity of the tax payer. The terms of use of the

²¹ Australian Taxation Office, “income-and-deductions-for-business/crowdfunding”, 2018, available at <<https://www.ato.gov.au/business/income-and-deductions-for-business/in-detail/crowdfunding/#Promotersusingcrowdfundingplatforms>>

²² Id.
40 Marshal Baghramyan Avenue

Tel: (37410) 51 27 55

crowdfunding platforms usually have a point or a separate refund policy²³ that outline in details describing from which exact moment the money provided by the supporter are not refundable anymore. Usually, after the specified deadline the refund is under the discretion of the campaign owner. If the contributor asks for a refund in accordance with the platform policy, the ATO takes into account several factors when deciding the taxable funds. First factor is if the campaigner has fulfilled all the promised actions towards the contributor in the mentioned deadlines. With that in place the campaigner bears no contractual obligation towards the contributor. If the contributor asks for a refund after the mentioned date it is under the campaigner's full discretion to provide a refund or no.

These taxing conditions provide better flexibility for the crowdfunding campaigners as the contingencies connected with the delivery and obligations of the campaigners are being taken into account. The crowdfunding is a complex process and the tax regulations regarding the funds raised through it are complex, too.²⁴

The equity crowdfunding in Australia is regulated by Corporations Act 2001 (Cth) which imposes heavy restrictions on start-ups that aim to raise equity through crowdfunding.

²³ Indiegogo Help Center "Managing Your Contribution", 2019, available at <https://support.indiegogo.com/hc/en-us/articles/526876>

²⁴Deloitte, Greig Hubbard , "Crowdfunding the farm – not so taxing?", 2018, available at <https://www2.deloitte.com/au/en/pages/consumer-business/articles/crowdfunding-farm-not-so-taxing.html>

For example, the Corporations Act stipulates that a proprietary company is restricted to exercise the equity-based funding to raise:

- *“up to \$2m from 20 or fewer investors;*
- *up to \$5m from 20 or fewer investors through the Australian Small Scale Offerings Board;*
- *or funds from wholesale investors, an individuals who proved with the paperwork of qualified accountant have net assets and worth of at least \$2.5m or the gross income of the individual in the last two years have not been lesser than 250,000”.*

In cases when startups become publicly traded they may not be subject to the same restrictions on raising equity. However, a startup would be required to issue disclosure documents and in becoming a public company it would become subject to more sophisticated corporate regulations and obligations.

Realizing the inability of the most startups to be capable to correspond with the existing rules of Australian corporate law, Small Business Minister Bruce Billson has declared on several occasions about the Government’s intention to introduce legislation to “develop a crowd sourced equity funding (CSEF) model.”²⁵

²⁵ Australian Government, “Crowd-sourced Equity Funding Final Assessment Regulation Impact Statement” ,November 2016, available at, <https://ris.pmc.gov.au/sites/default/files/posts/2017/03/regulation_impact_statement_2.pdf >

United States of America

The reward crowdfunding method may fall under the taxable income category; however, there is a grey area in the US Internal Revenue Code (IRC) when the supporters of the campaign wait for nothing in return for their contribution. Some crowdfunding campaigners may be able to identify the funds they have raised as non-taxable, defining gifts under IRC, Art. 102. According to IRC “gift” is something given which is done purely out of generosity considerations, and a contributor shall have no expectation whatsoever of receiving anything in return for his/her monetary support. The case of Commissioner v. Duberstein 363 U.S. 278, 285 (1960) in the U.S. Supreme Court has provided some precedent of what is to be considered as a gift; in the ruling the Court emphasized the giver’s intention. The Internal Revenue Service describes a gift as “any transfer to an individual, either directly or indirectly, where full consideration (measured in money or money's worth) is not received in return.”²⁶ The term “individual” refers to an actual person; however, the term can include a legal person, for instance, a corporation. Hence, legal ambiguity takes place as a profit-seeking business entity arguably could receive a non-taxable gift. The individual can make a gift till up to \$15.000 in one year, in case if an individual exceeds the amount in a year his/her every other contribution falls under the federal gift tax.²⁷

In the cases, if the crowdfunding campaign is not offering any products or rewards to the

²⁶Internal Revenue Services, “Gifts”, 2019 available at <<https://www.irs.gov/businesses/small-businesses-self-employed/frequently-asked-questions-on-gift-taxes#2>>

²⁷ Id.
40 Marshal Baghramyan Avenue

Tel: (37410) 51 27 55

contributors the funds raised would be qualified as non-taxable gifts rather than income or in cases of entities profit, since no evidence of buying and selling relationship exists. If any product as a reward is involved, but if the reward is lesser in value than the monetary contribution the IRS has no specific answer and guidance for companies, if the funds from that transaction are tax deductible or no. For instance, a campaigner can provide a reward the nominal cost of which is 10\$ for the contribution of \$100.

It can be argued that that according to the IRS's description of gift, the campaigner is not receiving full consideration in exchange for the contributor's support and therefore the contributor just gives out \$100 gift to the campaigner and the actual taxable funds are the value of the reward which in the presented case is 10\$.

1099 K²⁸ form in the US and what it means to the company.

Whenever the individual receives a certain amount of online payments addressed to his/her account, the IRS sends out a 1099-K form. From the IRS perspective, the 1099-K form improves the voluntary tax compliance. It is specifically used in cases that involve card payments and transactions with third party networks (PayPal, stripe). According to the IRS the tax subjects receive the 1099-K in the following cases:

- The payments come from card transactions (debit, credit or any other bank card),

²⁸ Internal Revenue Service, "Understanding your 1099-K form", 2018, Available at <https://www.irs.gov/businesses/understanding-your-1099-k>
40 Marshal Baghramyan Avenue

- in settlement of third-party payment network transactions, above the minimum reporting thresholds of –
 - gross payments that exceed \$20,000,
 - AND more than 200 transactions

The tax subject is obligated to indicate in 1099-K form all reportable payment transactions. If the transaction involves a third party, then the tax subject shall indicate separately the number of transactions that the third party had received. A definition for a reportable transaction is a payment card transaction or a third party network transaction. Any transaction via bank account card with the identifying data that is associated with that bank account card is considered as payment and shall be included in the form.

Third party network transaction is defined as a transaction which was settled via third party payment network (such as PayPal), but only after that transaction or several transactions exceeds the threshold of money amount of \$20,000 and the total number of the transactions exceeds 200 the 1099-k form applies.

The reported amount shall not include any credit adjustments for credits, cash equivalents, discounts, fees, refunds or any other amounts.

US regulations of equity crowdfunding

Regulations for companies on equity crowdfunding: Limited to raising no more than

\$1,000,000/year under the Title III exemption of the JOBS act.²⁹ The Title III also provides a set of rules that apply to the equity crowdfunding both on investors' and companies' parts

- “ Disclose financial statements of the company that, depending on the amount offered and sold during a 12-month period, would have to be accompanied by a copy of the company's tax returns or reviewed or audited by an independent public accountant or auditor.
- Disclose information about officers and directors as well as owners of 20 percent or more of the company.
- Disclose use of proceeds.
- Disclose the price to the public of the securities being offered, the target offering amount, the deadline to reach the target offering amount, and whether the company will accept investments in excess of the target offering amount.
- Companies relying on the Title III exemption to offer and sell securities would be required to file an annual report with the SEC and provide it to investors”.

The United States, on the other hand, has been putting more and more legal stress on the sphere of crowdfunding. Back on April 5, 2012, President Obama signed a law called the JOBS Act, objectives of which include support of small firms and helping them start expanding their business. One of the key provisions of the JOBS Act gives startups and SMEs tax exemptions for crowdfunded securities raised from equity crowdfunding. The JOBS Act has loosened the

²⁹ United States “Jumpstart Our Business Startups Act” 2012
40 Marshal Baghramyan Avenue

situation for the small enterprises for their financing and at the same time protects the small investors. One of the regulations is that it requires startups utilizing crowdfunding to register with the SEC and as a part of their registration it demands from the startups to provide information on their financial health and risks. JOBS Act allows the vast majority of the US population to become an individual investor to early-stage companies.³⁰

CHAPTER 3

Armenian regulations and the crowdfunding

The Armenian laws do not explicitly cover the field of crowdfunding. When looking on the product based reward crowdfunding the similarities of the funds obtained from the campaign can be perceived as a grant. Also, there are similarities between the general process when the company that has launched and succeeded the crowdfunding campaign, with the organization applying for funding through grants and receive funding. The difference to point out is the source of funding, for crowdfunding the source is a group of people. However when the campaign is on a crowdfunding platform the transfer of money is not made by each individual separately to the campaigners account, but all the supporters transfer the money to the platform and then the platform transfers the funds to the campaigner.

Also, taking into account the discussions around the new draft of the Tax Code in Armenia which aims at the unified system of taxation for small enterprises which also is for tech

³⁰ Glenn Pollner; Peter Wardle; James Moloney, "SEC Adopts Final Crowdfunding Rules", available at <<https://securitiesregulationmonitor.com/Lists/Posts/Post.aspx?ID=258>>

SMEs and startup, the law creates further complications over the general taxation situation regarding the funds raised by crowdfunding.

Also what further complicates the setting is the fact that Armenia does not have separate field of contractual law the several types of the contract is regulated by the Civil Code, but none of them touches upon the crowdfunding.

Legal Analogies,

The crowdfunding as a phenomenon is not defined in Armenian laws; hence it is not regulated or legally defined. Nonetheless, Armenian Civil Code provides a legal definition of public offering contract, which under Article 453 point 1 is described as an offer addressed to one or several people which indicate the intention of the offering party to consider the contract signed as soon as the receiver of the offer agrees to sign it. The Article also suggests that the offer shall contain the essential provisions of a regular contract.

Regardless of its method, the crowdfunding both equity and rewards based have certain similarities with offering. Through crowdfunding, a campaigner makes a public announcement to the specific number of people, and the crowdfunding platform, in this case, is the intermediary. However, as it can be deducted from the international practice, one of the objectives when regulating the crowdfunding is the aim of the campaigner. The Civil Code Articles from 451 to 460 provide regulations and scopes of the offering. However, they do not define the subject of the contract.

Crowdfunding under Armenian Tax system and legislation

When looking at the overall regulations and tax methods of Armenian legislation, the crowdfunding receives a different type of treatment. Specifically, when observing the funds raised through crowdfunding, the tax authorities may interpret the funds gained from crowdfunding activity differently. The way the funds will be treated very much depends on factors such as the aim of campaign, the funding scheme, the contract between the campaigner and the supporter and much more. Similar to the US tax on gifts, the Armenian Civil Code contains a separate chapter about donation contracts. The Armenian Civil Code Art 598 (3) prohibits organizations who work for profit to be involved in this type of a contract. Several problems arise here; firstly it is impossible for the legal entities which operate for profit to contribute to the other similar legal entity that manages a crowdfunding campaign.

Another complication arises when the crowdfunding platform transfers money raised by the specific crowdfunding campaign to its owner. The transfer of money raised by a campaign to their bank account is done by the platform. The transaction is the following, from backer's bank account to platform's account to the bank account indicated by the campaigner. Assuming that the campaigner is the legal entity operating for profit such as Limited Liability Corporation, the problem of transferring the money occurs as the crowdfunding platform in most cases is a legal entity operating for profit. The overall total sum contributions by different backers are transferred to campaigner's bank account. Those funds would be taxed as profit and the fact that the portion of the funds raised might be tax deductible money, for instance the amount raised based on donation would not be taken into account by the tax authorities. Compared to the

system established in the US the campaign owner shall fill 1099-K form which would provide the US tax authorities with the precise information of how many units of the reward are planned to be sold. This could have been of a great value for the startups as it would discriminate between the taxable and tax deductible or non-taxable funds.

The very practical solution towards this issue will be to do the transaction through the nonprofit foundation. So assuming that an entrepreneur establishes both for profit legal entity in the form of LLC and the foundation that operates not for profit. The suggestion will be for a startup founder would be to conduct a crowdfunding campaign and indicate the foundation as the legal entity that shall receive the funds raised through crowdfunding campaign. After the foundation receives the funds it can transfer the funds directly to the for profit organization.

Counting Taxes

The rules on the tax reporting by the taxpayers could result into a problematic situation for the campaign owners that choose to keep their capital in Armenia. The Armenian Tax Code Art. 15(7) refer to the specific cases of accounting when defining methods of tax reporting to the tax authorities of Armenia. The Law on Accounting of the Republic of Armenia stipulates a reporting period for corporations. More specifically, the definitions and the payment periods are described in Articles 22-24.³¹ The Article 23 of the Law on Accounting sets a deadline over a tax report to present by the by April 15 of the next accounting year. The accounting year is defined

³¹ Republic of Armenia The Law On Accounting, No. HO-515-N, Dated February 22, 2003
<<https://www.arlis.am/documentview.aspx?docid=33262>>

in Article 22.

The possible problematic scenario arises, assuming that a certain startup conducts a reward crowdfunding campaign and receives funding. If the period of the startup receiving money correlates with the dates of tax reporting, then the funds would be assessed as a profit and would be taxed accordingly. Armenian Tax Code Art. 106 refers, but is not limited to the Law on Accounting when discussing the method and time of taxation.

The startup falls under the risk, since at the moment of tax report the startup would have funds, however, they might not have the expenses, meaning that funds raised through crowdfunding would be considered as a profit for a financial year and would be taxed according to the tax code. For startups there are several risk factors involved.

The risk factor is the potential contingency costs that may arise at the production stage. The profit eventually could be decreased in case of unforeseen expense; hence the startup loses yet again because in the tax report the taxed profit amount was higher than the actual profit with which the startup ends up.

Amendments and Supplements to Tax Code

In November 2018, the government of Armenia proposed supplements and amendments of the Tax Code of the Republic of Armenia which contains a large variety of amendments. The main amendment purposed is the system of micro-enterprises which includes small-scale trading legal entities and physical persons in taxation system. According to a suggested amendment, if the entity, in the previous fiscal year had a turnover less than 20 million drams (approximately

40K US Dollars) then it qualifies for a micro entity³². Also, under the same suggestion package the micro-entities are exempt profit taxes.

Nonetheless, the new provisions and articles do raise several issues when applying the case of the equity crowdfunding. Assuming that the startup seeks capital gains through equity crowdfunding and in order for the company to sell the stock publicly it must be Open Joint Stock Company and have a prospectus according to the Law on Stock Market.

Equity crowdfunding

In cases of equity crowdfunding, applicable laws are, the Law on Stock Exchange Market and the Regulation on the Prospectus of the Central Bank of Armenia. Compared to the discussed material in chapter the international practice, first of all the most essential things to mention and determine are the differences between the laws that regulate securities and stock exchanges and the definitions of investors, companies and other stakeholders. First of all, Armenian Law on Stock Exchange market does not have specific requirements for the individual on becoming a regular investor. No requirements such as threshold of net worth or minimum salary are defined by law. This lack of regulations as a matter of fact makes the Armenian market very attractive for startups to go public and seek financing through equity crowdfunding. One of the requirements is that a company that wants to finance itself by equity crowdfunding is that they need to have a prospectus for being able to sale a stock. Another requirement is for the startup to change its organizational structure into the Open Joint Stock Company.

³² The Law of the Republic of Armenia on Supplements and Modification in the Armenian Tax code (2018),

< <https://www.e-draft.am/projects/1358/justification> >

40 Marshal Baghramyan Avenue

Tel: (37410) 51 27 55

As a matter of fact, the equity crowdfunding method of financing could be beneficial for the already existing and earlier established companies in going public by reaching a global market. Not all the open stock joint companies that have made their initial public offering in Armenia are eligible to do so in the other markets. The obstacles can be caused by the country's stock market's requirements. The equity crowdfunding platforms can help Armenian companies to raise capital through stock selling and having international investors as their companies' stock owners.

The international experience suggests that in the most cases the main problems with the equity-crowdfunding was caused by strict regulations towards the equity market. Most of the developed countries give strict regulations and limit the investors to the qualified investors and people who have clear links with startups. From the perspective of startups, most of the time, they are lacking an experience to face problems when trying to manage the large group of investors, however that is the issue outside of the scope of this paper.

The Modifications in The Tax Code and equity crowdfunding

The suggested modifications and amendments raise several issues when applying the case of the equity crowdfunding. Assuming that the startup seeks capital gains through equity crowdfunding and in order for the company to sell the stock publicly it must be Open Joint Stock Company and have a prospectus according to the Law on Stock Market and regulation of the Central Bank.

One of the main suggestions of the modification and supplements to the law includes the objective of clarification of the taxation method of the micro enterprises. The amendments and modifications include an objective of enlargement of the micro enterprises and include all types of legal entities regardless of its organizational structure. Hence the OJSC can be a micro enterprise if it does not have the turnover over 20 million drams (Roughly 40.000 USD).

Considering the loopholes in the current Tax Code this Modification provides more controversy.

The Tax Code's Art. 4(50) defines what is considered a turnover for a company and received money from the sold stock with the nominal value is not a considered a turnover for company. Hence one can assume that the certain startup can use the privileges of being an entity that falls in the category of micro enterprises and have an uncharacteristically large capital. The startup can easily had a turnover lesser than a threshold of 20 million drams and have larger capital. This is applicable when discussing the selling of securities by their nominal value, in the cases when there are no capital gains for the entity.

CONCLUSION

The Alternative financing methods have developed over past years. They have gained popularity among the entrepreneurs around the world regardless of the development level of the country.

The crowdfunding one of the most sophisticated methods of alternative financing and it is developing on a constant level. More and more entities and individuals use it as a source of

financing. The legal, regulatory frameworks over crowdfunding raise many questions for most developed countries. As presented in the paper most of the authorities of the developed countries such as the US and EU countries still have themselves unanswered questions when the case concerns crowdfunding. Although Armenia does not have a strong economic background and developed corporate culture, the regulations over the crowdfunding may be essential to open up an enormous potential of Armenia becoming more startup friendly.

The crowdfunding could entail a large number of risks. However, it is very transparent. Crowdfunding platforms are creating transparency and ensure open communication. As mentioned in some platforms demand from the campaigner to provide updates on the progress of the production. Crowdfunding as a phenomenon has many angles to explore; however, it still has a separating characteristic.

Armenia can use emerging business processes to implement crowdfunding systems more advanced than those in developed countries. According to the World Bank Study countries that were aiming to have more economic stability and grew entrepreneurial community should provide the conditions for crowdfunding. Armenia must address the regulations that make for the startup entering, conducting, and ending the campaign burdensome.³³

When addressing the reward-based crowdfunding, most of the campaigners face problems with raising initial capital. The taxation of the funds creates further complications for

³³ World Bank, *“Crowdfunding’s Potential for the Developing World”* (2013), available at <<http://documents.worldbank.org/curated/en/409841468327411701/pdf/840000WP0Box380crowdfundin g0study00.pdf>>

the campaigners. Moreover, due to lack of legal basis which is a complication for the campaigners as most of the time, they are not aware of what to be prepared to.

Due to lack of regulations equity based crowdfunding can have a large potential and popularity in Armenia. However, still the startups that would choose that method of financing might face some obstacles as it is still not clear how the authorities view and tax the capital gains.

The suggestion to make the Armenia more crowdfunding friendly would be the separation of the crowdfunding from the other common types of the buying and selling relations as it entails a lot more than just profit making objective.

The taxation laws shall aim to be clear for the entities that use crowdfunding as the method of financing. Turkey for instance has introduced the laws that incentivize the crowdfunding procedure, making it more appealing for the entrepreneurs to use.³⁴ On the other side, the investors and customers will be keener to support and contribute to the crowdfunding campaigns that are in a country that has a precise rules, this could lead to the extra flow of the capital to Armenia.

The potential suggestion here would be the introductions of the new form of contract which will be specifically designed for the crowdfunding purposes and which will help to specify the scope of the crowdfunding campaign and based on the scope of campaign decide upon the taxation of the funds. In other words, as the international practice shows most of the tax

³⁴ *Id.*
40 Marshal Baghramyan Avenue

authorities attempt to have a separate approach towards the crowdfunding. They try to determine the purpose of the campaign. Introducing a contractual method might be beneficial for the Armenian Tax authorities as the contract would be legal ground for them to decide on how to assess the funds raised from the specific crowdfunding campaign.

BIBLIOGRAPHY

1. Parthena Maria Malouta, “Legal Aspects of Crowdfunding” (2015-2016)
<<https://repository.ihu.edu.gr/xmlui/bitstream/handle/11544/15811/1104150027.pdf?sequence=1>>

The paper discusses the crowdfunding in the European Union, it mostly discusses the overall influence of the legal system on the crowdfunding financing and does not go towards the specific regulations.

2. Garry A Gabison, “JRC Science and Technology Report. Understanding Crowdfunding and its Regulations” (2015)
<<http://publications.jrc.ec.europa.eu/repository/bitstream/JRC92482/lbna26992enn.pdf>>
JRS science and policy makers report provides information about the regulations on the crowdfunding among the European Union member countries. It also discusses how the start-ups operating in the European Union can gain benefits from crowdfunding.
3. The European Crowdfunding Network in association with Osborne Clarke. “Regulation of Crowdfunding in Germany, the UK, Spain and Italy and the Impact of the European Single Market.” (2013)
<https://www.osborneclarke.com/media/filer_public/51/b3/51b3007b-73aa-4b9a-a19d-380fc1d6ff35/regulation_of_crowdfunding_ecn_oc.pdf>
4. Kristof De Buysere, Oliver Gajda, Ronald Kleverlaan, Dan Marom With a foreword by Matthias Klaes. “A Framework for European Crowdfunding” (2012)
<<https://www.fundraisingschool.it/wp-content/uploads/2013/02/European-Crowdfunding-Framework-Oct-2012.pdf>>
5. The Law of the Republic of Armenia on Supplements and Modification in the Armenian Tax code (2018)
< <https://www.e-draft.am/projects/1358/justification> >
6. The Tax Code of Republic of Armenia <<http://www.petekamutner.am>>
7. US Securities and Exchange Commission, JOBS act,
<<https://www.sec.gov/spotlight/jobs-act.shtml>>
8. The Law on Joint Stock Companies of Republic of Armenia (<http://www.arlis.am>)
9. World Bank, “Crowdfunding’s Potential for the Developing World” (2013),
<http://documents.worldbank.org/curated/en/409841468327411701/pdf/840000WP0Box380crowdfunding0study00.pdf>
10. Glenn Pollner; Peter Wardle; James Moloney, “SEC Adopts Final Crowdfunding Rules”, available at <<https://securitiesregulationmonitor.com/Lists/Posts/Post.aspx?ID=258>>
11. Republic of Armenia The Law On Accounting, No. HO-515-N, Dated February 22, 2003
<<https://www.arlis.am/documentview.aspx?docid=33262>>
12. Australian Government, “Crowd-sourced Equity Funding Final Assessment Regulation Impact Statement” ,November 2016, available at,
<https://ris.pmc.gov.au/sites/default/files/posts/2017/03/regulation_impact_statement_2.pdf>
13. Australian Taxation Office, “income-and-deductions-for-business/crowdfunding”, 2018, available at
<https://www.ato.gov.au/business/income-and-deductions-for-business/in-detail/crowdfunding/#Promotersusingcrowdfundingplatforms>
14. Klynveld Peat Marwick Goerdeler, “EU Commission releases package on Fair and Effective Taxation of the Digital Economy”, 2018, available at

- <<https://home.kpmg/be/en/home/insights/2018/03/eu-commission-releases-package-on-fair-and-effective-taxation.html>>
15. European Commission, “Assessing the potential for crowdfunding and other forms of alternative finance to support research and innovation”, 2017, available at <https://eurocrowd.org/wp-content/blogs.dir/sites/85/2017/04/ECN_assessing_the_potential_crowdfunding_for_research_innovation_Jan2017.pdf>
 16. PricewaterhouseCoopers, “Assessing the potential for crowdfunding and other forms of alternative finance to support research and innovation”, 2018, available at <<https://www.pwc.com.au/tax/taxtalk/assets/alerts/pwc-bcm-ec-dig-tx-pkg.pdf>>
 17. Deloitte, Greig Hubbard, “Crowdfunding the farm – not so taxing?” available at <<https://www2.deloitte.com/au/en/pages/consumer-business/articles/crowdfunding-farm-not-so-taxing.html>>
 18. Financial Stability, Financial Services and Capital Markets Union, “Commission proposal for a regulation on European crowdfunding services providers”, 2018, available at https://ec.europa.eu/info/publications/180308-proposal-crowdfunding_en
 19. Ramos, “Crowdfunding and the Role of Managers in Ensuring the Sustainability of Crowdfunding Platforms”, 2014, Available at <https://core.ac.uk/download/pdf/38627890.pdf>
 20. Financial Stability, Financial Services and Capital Markets Union, “Commission proposal for a regulation on European crowdfunding services providers”, 2018, available at https://ec.europa.eu/info/publications/180308-proposal-crowdfunding_en
 21. Indiegogo, “Terms of Use”, 2019, available at < <https://www.indiegogo.com/about/terms> >
 22. Moriah Meyskens and Lacy Bird, Crowdfunding and Value Creation, Entrep. Res. J. 157 (2015)