



DeFi Capital for a Smarter Future.

***Tax Guide for Ensuro
Protocol Investors***

Updated March, 2025

Executive Summary

This tax guide provides essential information for Ensuro Protocol investors regarding the tax implications of eToken transactions. The document covers the classification of digital assets across major jurisdictions, explains capital gains and income tax considerations, and offers practical guidance for compliance.

Key highlights include:

- Capital gains taxation varies significantly by jurisdiction, with rates ranging from 0% to 45%
- Interest income is typically taxed at ordinary income rates in most jurisdictions
- Record-keeping requirements include transaction details, exchange rates, and blockchain verification
- Tax treatment differs based on holding periods in many jurisdictions
- Professional tax consultation is recommended due to the evolving regulatory landscape

Disclaimer: *This guide is intended to provide general information and does not constitute tax advice. Tax laws vary significantly by jurisdiction and may change over time. Consultation with qualified tax professionals regarding specific situations is strongly advised. Ensuro Re Limited and its affiliates do not assume liability for any actions taken based on the information contained in this guide.*

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Introduction

This guide provides essential tax information for investors holding eTokens in the Ensuro Protocol. As a decentralized insurance platform operating on the Polygon blockchain, Ensuro enables participation in insurance underwriting through liquidity provision via eTokens.

Ensuro is domiciled in Bermuda with its favorable tax environment, however, investors' tax obligations are determined by their country of residence. This guide aims to clarify potential tax implications of investment activities, enabling informed decision-making and regulatory compliance.

Note: This guide is not available to residents of the United States or countries under international sanctions, including but not limited to North Korea, Iran, and others listed by the Office of Foreign Assets Control (OFAC).

Investment Activities and Tax Implications

Investors in the Ensuro Protocol typically engage in three primary activities with potential tax consequences:

1. **Acquisition of eTokens:** When purchasing eTokens, investors provide liquidity to the insurance pool. This transaction is generally not taxable, however it establishes the cost basis for future capital gains calculations.
2. **Disposition of eTokens:** The sale or redemption of eTokens may result in capital gains or losses, calculated as the difference between the acquisition cost and sale price. This typically triggers capital gains tax obligations in most jurisdictions.

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3. **Interest Accrual:** eToken holdings generate interest as compensation for capital provided to the insurance pool. This interest is generally classified as income for tax purposes.

The tax treatment of these activities varies significantly by jurisdiction, necessitating an understanding of local regulations.

Bermuda's Tax Framework

Ensuro Re Limited is incorporated in Bermuda, which offers a favorable tax environment for financial operations:

- **No Income Tax:** Bermuda does not impose taxes on personal or corporate income.
- **No Capital Gains Tax:** Investment profits are not subject to taxation.
- **No Withholding Tax:** No taxes are withheld on dividends, interest, or other investment income.

This tax-neutral environment benefits Ensuro's operations, however, investors remain subject to the tax laws of their country of residence rather than Bermuda's regulations.

For additional information regarding Bermuda's tax system, please consult the the Bermuda Monetary Authority's Digital Assets Framework.

Taxation Principles for Digital Assets

Note: *The information in this section is particularly important as it forms the foundation for understanding how eTokens are treated for tax purposes.*

Classification of Digital Tokens

Tax authorities typically classify cryptocurrency tokens such as eTokens under one of the following categories:

- **Property:** Many jurisdictions treat digital assets as property for tax purposes, applying capital gains tax rules upon sale or exchange.
- **Investment Assets:** Some regulatory frameworks categorize digital tokens specifically as investment assets, subject to investment income tax regulations.
- **Foreign Currency:** Less commonly, digital assets may be classified as foreign currency, with applicable foreign exchange tax rules.

The classification within your jurisdiction is fundamental to determining applicable tax obligations.

Capital Gains and Losses

The sale of eTokens at a price exceeding the purchase price results in a capital gain. Conversely, selling at a lower price results in a capital loss. Key considerations include:

- **Holding Period:** Many jurisdictions differentiate between short-term gains (assets held for less than a specified period, typically one year) and long-term gains, with preferential tax rates applied to the latter.
- **Cost Basis:** The original acquisition value of the eTokens in local currency, including any acquisition fees.
- **Calculation Methodology:** Jurisdictions may require specific methods for calculating gains/losses, such as First-In-First-Out (FIFO), Last-In-First-Out (LIFO), or specific identification.

Interest Income

Interest earned from eToken holdings is generally treated as ordinary income and taxed at applicable income tax rates. This treatment is analogous to interest earned from traditional financial instruments such as bank deposits or bonds.

Record-Keeping Requirements and Best Practices

Maintaining comprehensive records is essential for accurate tax reporting. For each transaction, documentation should include:

1. **Transaction Date and Time:** The precise timestamp of each purchase, sale, or interest payment.
2. **Transaction Type:** Classification as purchase, sale, or interest receipt.
3. **Quantity:** The number of eTokens involved in the transaction.
4. **Value in USDC:** The amount denominated in USDC at the time of transaction.
5. **Value in Local Currency:** The equivalent value in the investor's local currency, utilizing the exchange rate at the time of transaction.
6. **Transaction Fees:** Any fees associated with the transaction.
7. **Transaction Hash:** The unique blockchain identifier for verification purposes.

Recommended Record-Keeping Tools

- **Specialized Cryptocurrency Tax Software:** Applications such as CoinTracker, Koinly, or TokenTax facilitate transaction tracking and tax liability calculations.
- **Structured Spreadsheets:** Custom-designed spreadsheets can effectively track eToken activities.

Country	Capital Gains Treatment	Interest Income Treatment	Key Reporting Deadlines
United Kingdom	10-20% on gains above £6,000	20-45% based on income bracket	January 31 following tax year
Canada	50% of gains taxable at income rates	Taxed at marginal income rate	April 30 following tax year
Singapore	No capital gains tax for individuals	0-22% based on income bracket	April 15 following tax year
Germany	Tax-free after 1 year; otherwise up to 45%	Up to 45% plus surcharges	July 31 following tax year
France	30% flat tax (or progressive rates)	30% flat tax (or progressive rates)	May-June following tax year
Australia	Marginal rates with 50% discount after 12 months	0-45% based on income bracket	October 31 following tax year

- **Ensuro Transaction History:** Regular downloading and archiving of transaction records from the Ensuro platform is advisable.
- **Currency Conversion Resources:** Reliable sources such as CoinGecko or established financial platforms should be used to document exchange rates at transaction times.

Jurisdiction-Specific Tax Guidance

Tax regulations for digital assets vary considerably across jurisdictions. The following sections provide guidance for several major tax regions.

United Kingdom

Capital Gains Tax (CGT):

- Annual tax-free allowance: £6,000 (as of 2025)
- Basic rate taxpayers: 10% on gains above the allowance
- Higher rate taxpayers: 20% on gains above the allowance
- Calculation method: Pooling (average cost basis for same-type assets)

Income Tax on Interest:

- Basic rate: 20% (for income between £12,571 and £50,270)
- Higher rate: 40% (for income between £50,271 and £125,140)
- Additional rate: 45% (for income above £125,140)

Reporting Requirements:

- Self-Assessment tax return required if total capital gains exceed the annual exemption or if losses need to be reported
- Submission deadline: January 31 following the tax year (which ends April 5)

Reference: HMRC Cryptoassets Manual

Canada

Capital Gains Tax:

- 50% of capital gains are taxable at the marginal income tax rate

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- Gains/losses must be calculated in Canadian dollars based on exchange rates at transaction times
 - Adjusted Cost Base (ACB) method required for cost basis calculations

Income Tax on Interest:

- Federal tax rates: 15% to 33% depending on income bracket
- Provincial taxes apply additionally, varying by province

Reporting Requirements:

- Report on Schedule 3 of the T1 Income Tax Return
- Filing deadline: April 30 following the tax year

Reference: CRA Guidance on Cryptocurrencies

Singapore

Capital Gains Tax:

- No capital gains tax for individuals
- Business traders may be subject to income tax on trading gains

Income Tax on Interest:

- Progressive resident tax rates: 0% to 22% depending on income bracket
- Non-residents: Generally 22% flat rate

Reporting Requirements:

- Income must be reported in annual tax return
- Filing deadline: April 15 following the tax year

Reference: IRAS Digital Payment Tokens

Germany

Capital Gains Tax:

- Gains on assets held less than one year: Taxed at personal income tax rate (up to 45%) plus solidarity surcharge (5.5% of tax amount)
- Gains on assets held more than one year: Tax-exempt for private investors
- Special consideration required for interest-bearing digital assets

Income Tax on Interest:

- Taxed at personal income tax rate up to 45% plus solidarity surcharge
- Church tax may apply if relevant

Reporting Requirements:

- Annual tax return ("Anlage SO" for investments held less than one year)
- Filing deadline: July 31 following the tax year

Reference: German Federal Tax Office

France

Capital Gains Tax:

- Flat tax rate of 30% (12.8% income tax + 17.2% social contributions)
- Option to apply progressive income tax rates instead of more favorable
- Different rates may apply depending on holding period

Income Tax on Interest:

- Subject to flat tax rate of 30% (including social contributions)
- Option to apply progressive income tax rates if more advantageous

Reporting Requirements:

- Annual tax return
- Filing deadline: May-June following the tax year

Reference: French Tax Authority

Australia

Capital Gains Tax:

- Gains taxed at marginal income tax rate
- 50% discount available for assets held more than 12 months
- Various cost basis methods permitted, including FIFO and specific identification

Income Tax on Interest:

- Progressive tax rates: 0% to 45% depending on income bracket
- Medicare levy: Additional 2%

Reporting Requirements:

- Annual tax return
- Filing deadline: October 31 following the tax year (June 30)

Reference: ATO Cryptocurrency Guidance

Tax Calculation Examples and Scenarios

Example 1: Acquisition and Disposition of eTokens

Transaction Sequence:

- Acquisition: 100 eTokens at 1 USDC each (total: 100 USDC)
- Exchange rate at acquisition: 1 USDC = 0.85 EUR
- Total cost in local currency: 85 EUR
- Disposition: 50 eTokens at 1.20 USDC each (total: 60 USDC)
- Exchange rate at disposition: 1 USDC = 0.88 EUR
- Proceeds in local currency: 52.80 EUR
- Cost basis for 50 tokens: 42.50 EUR

Capital Gains Calculation (European Investor):

- Capital gain: 52.80 EUR - 42.50 EUR = 10.30 EUR
- Applicable tax rate: 30% (hypothetical flat rate)
- Tax liability: 10.30 EUR × 30% = 3.09 EUR

Example 2: Interest Income

Transaction Details:

- Monthly interest earned: 5 USDC

- Exchange rate: 1 USDC = 0.88 EUR
- Interest in local currency: 4.40 EUR

Income Tax Calculation (European Investor):

- Applicable income tax rate: 40% (hypothetical higher bracket rate)
- Tax liability: 4.40 EUR \times 40% = 1.76 EUR

Example 3: FIFO Method Illustration (Canadian Investor)

Transaction Sequence:

- January 2024: Acquisition of 50 eTokens at 1 USDC each (exchange rate: 1 USDC = 1.34 CAD)
- June 2024: Acquisition of 50 additional eTokens at 1.50 USDC each (exchange rate: 1 USDC = 2.01 CAD)
- December 2024: Disposition of 70 eTokens at 2 USDC each (exchange rate: 1 USDC = 2.68 CAD)

FIFO Calculation:

- First 50 tokens: Cost basis = $50 \times 1.34 = 67$ CAD
- Next 20 tokens: Cost basis = $20 \times 2.01 = 40.20$ CAD
- Total cost basis: 107.20 CAD
- Sale proceeds: $70 \times 2.68 = 187.60$ CAD
- Capital gain: 187.60 CAD - 107.20 CAD = 80.40 CAD
- Taxable amount (50%): 40.20 CAD
- Tax liability at 30% marginal rate: 12.06 CAD

International Tax Considerations and Recent Developments

Double Taxation Issues

Investors with tax residency in multiple jurisdictions may face double taxation on eToken activities. Most countries have established Double Taxation Agreements (DTAs) to mitigate this issue, though application to digital assets may vary.

Example: An investor resident in both the UK and Singapore might face taxation in both jurisdictions. The UK-Singapore DTA typically provides tax credits for taxes paid in the other country to avoid double taxation. However, differences in how eTokens are classified (property in the UK, potentially not subject to capital gains in Singapore) may create complexity.

Professional tax guidance specific to individual circumstances is recommended for investors with multi-jurisdictional tax exposure.

Currency Conversion Requirements

Since eTokens are denominated in USDC but must be reported in local currency for tax purposes, exchange rate fluctuations can significantly impact tax positions. Best practices include:

- Documentation of the precise exchange rate at the time of each transaction
- Utilization of consistent, reputable sources for exchange rate data
- Application of consistent conversion methodology

Blockchain Transaction Documentation

Tax authorities increasingly request verification of blockchain transactions. Recommended documentation includes:

- Transaction hashes from the Polygon blockchain
- Wallet addresses (while maintaining appropriate privacy considerations)
- Smart contract interaction records

Regulatory Update Monitoring

Tax regulations for digital assets continue to evolve rapidly. Major regulatory developments to monitor include:

OECD Crypto-Asset Reporting Framework (CARF): Implemented in 2024, this framework established international standards for the automatic exchange of information on crypto-assets, potentially affecting Ensuro investors through increased reporting by exchanges and platforms.

EU Markets in Crypto-Assets (MiCA) Regulation: This comprehensive regulatory framework includes provisions that may impact taxation and reporting requirements for EU-based investors.

Jurisdiction-Specific Developments: Many countries are actively updating their guidance on digital asset taxation, with changes often occurring annually.

Remain informed through:

- Following the Ensuro Blog for protocol-specific updates
- Subscribing to tax authority notifications in your jurisdiction
- Annual consultation with tax professionals
- Participation in Ensuro community discussions regarding regulatory developments
- Following international bodies such as the OECD and FATF that influence crypto regulations

Compliance Procedures for Investors

Annual Tax Filing Protocol

The following checklist provides a structured approach to managing tax obligations for Ensuro Protocol investors:

1. Pre-Tax Season Preparation (1-2 Months Before Filing)

- ☐ Download complete annual activity statements from Ensuro
- ☐ Verify all transactions are accounted for by cross-referencing wallet histories
- ☐ Compile all eToken purchases, sales, and interest transactions
- ☐ Document exchange rates for all transaction dates
- ☐ Consolidate transaction fees paid for potential deduction (jurisdiction-dependent)

2. Tax Position Calculation (4-6 Weeks Before Filing)

- ☐ Apply appropriate cost basis method (FIFO, LIFO, specific identification)
- ☐ Calculate capital gains/losses for all eToken dispositions
- ☐ Segregate short-term and long-term gains if applicable in your jurisdiction
- ☐ Aggregate all interest income received
- ☐ Determine applicable tax rates based on your jurisdiction

3. Tax Form Completion (2-4 Weeks Before Deadline)

- ☐ Identify jurisdiction-specific forms for digital asset reporting
- ☐ Complete capital gains schedules (e.g., Schedule D in some countries)
- ☐ Report interest income on relevant tax forms
- ☐ Include any required supplementary documentation

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- ☐ Consider electronic filing options for faster processing

4. Documentation Retention (After Filing)

- ☐ Organize and store all transaction records for the required retention period (typically 5-7 years).
- ☐ Maintain documentation of calculation methods used
- ☐ Archive exchange rate data from reliable sources
- ☐ Retain copies of submitted tax forms and any correspondence
- ☐ Create digital backups of all tax-related documentation

Professional Tax Advisory Services

Given the complexity of digital asset taxation, professional guidance is strongly recommended. When selecting a tax professional:

- Verify specific experience with cryptocurrency and digital assets
- Confirm familiarity with tax laws in your jurisdiction
- Consider specialists with knowledge of both blockchain technology and tax regulations
- Request references or examples of work with similar clients

Questions to Ask Potential Tax Advisors

1. **Experience:** "How many clients with digital asset investments have you advised?"
2. **Expertise:** "Are you familiar with the specific tax treatment of DeFi protocols like Ensuro?"
3. **Documentation:** "What documentation would you recommend I maintain for my eToken transactions?"
4. **Software:** "Which tax calculation software do you recommend for DeFi investors?"
5. **Updates:** "How do you stay current with evolving regulations for digital assets?"

Red Flags in Tax Advice

Be cautious of tax professionals who:

- Suggest non-reporting of digital asset transactions
- Are unfamiliar with blockchain concepts and terminology
- Cannot explain the tax treatment specific to your jurisdiction
- Provide guarantees of specific tax outcomes

Conclusion

Understanding tax obligations is fundamental for compliant and successful participation in the Ensuro Protocol ecosystem. While Ensuro operates from tax-neutral Bermuda, individual tax obligations depend on investors' countries of residence.

The key takeaways from this guide include:

1. **Jurisdictional Variation:** Tax treatment of eTokens varies significantly across countries, with different approaches to capital gains, interest income, and reporting requirements.
2. **Record-Keeping Importance:** Comprehensive documentation of all transactions, including acquisition, disposition, and interest accrual, is essential for accurate tax reporting.
3. **Calculation Methodologies:** Understanding applicable cost basis methods and holding period distinctions can significantly impact tax obligations.
4. **Compliance Requirements:** Regular monitoring of regulatory developments is necessary as the digital asset taxation landscape continues to evolve.

5. **Professional Guidance:** Given the complexity and evolving nature of digital asset taxation, consultation with qualified tax professionals is highly recommended.

Through maintenance of detailed records, understanding of tax implications, and appropriate professional guidance, investors can confidently navigate the tax landscape while benefiting from participation in the Ensuro Protocol.

Appendix A: Glossary of Key Terms

Cost Basis: The original value of an asset for tax purposes, usually the purchase price plus acquisition fees.

Capital Gain/Loss: The difference between the cost basis of an asset and its sale price when disposed of.

FIFO (First-In-First-Out): An accounting method that assumes the first assets purchased are the first ones sold.

LIFO (Last-In-First-Out): An accounting method that assumes the most recently purchased assets are the first ones sold.

Specific Identification: A cost basis method that allows investors to identify which specific units of an asset are being sold.

Holding Period: The duration between the acquisition and disposition of an asset, often affecting tax rates.

DTA (Double Taxation Agreement): Treaties between countries to prevent the same income from being taxed twice.

Stablecoin: A type of cryptocurrency designed to have stable value, such as USDC which is pegged to the US Dollar.

Smart Contract: Self-executing contracts with the terms directly written into code, as used in the Ensuro Protocol.

Liquidity Provision: The act of supplying assets to a protocol in exchange for rewards, as with eTokens in Ensuro.

Appendix B: Useful Tax Resources by Jurisdiction

Global Resources

- OECD Taxation of Virtual Currencies:
<https://www.oecd.org/tax/tax-policy/taxing-virtual-currencies-an-overview-of-tax-treatments-and-emerging-tax-policy-issues.htm>
- PwC Global Crypto Tax Report: <https://www.pwc.com/gx/en/insights/crypto-tax-report.html>
- Deloitte Global Blockchain Tax Guide:
<https://www2.deloitte.com/global/en/pages/tax/articles/global-blockchain-tax-guide.html>
- CoinTracker Tax Tools: <https://www.cointracker.io>
- CoinGecko Historical Price Data: <https://www.coingecko.com>

United Kingdom

- HMRC Cryptoassets Manual: <https://www.gov.uk/hmrc-internal-manuals/cryptoassets-manual>
- UK Government Self-Assessment: <https://www.gov.uk/self-assessment-tax-returns>

Canada

- CRA Guidance on Digital Currency:
<https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/compliance/digital-currency.html>
- Canadian Tax Foundation Resources: <https://www.ctf.ca>

Singapore

- IRAS Digital Payment Tokens:
<https://www.iras.gov.sg/taxes/corporate-income-tax/specific-industries/digital-tokens-and-transactions>
- Singapore Financial Regulatory Resources: <https://www.mas.gov.sg>

Germany

- German Federal Tax Office: <https://www.bzst.de>
- Federal Ministry of Finance Guidance: <https://www.bundesfinanzministerium.de>

Australia

- ATO Cryptocurrency Guidance:
<https://www.ato.gov.au/individuals/investments-and-assets/crypto-assets-and-tax/>
- Australian Financial Review Tax Resources: <https://www.afr.com>

France

- French Tax Authority: <https://www.impots.gouv.fr>

Other Important Resources

- Bermuda Tax Guide: <https://www.gov.bm/departments/tax-commissioner>
- Bermuda Monetary Authority Digital Assets Framework: <https://www.bma.bm/digital-assets>
- Ensuro Protocol Documentation: <https://docs.ensuro.co>
- Ensuro Blog: <https://ensuro.co/blog>
- OECD Crypto-Asset Reporting Framework (CARF):
<https://www.oecd.org/tax/exchange-of-tax-information/crypto-asset-reporting-framework-and-amendments-to-the-common-reporting-standard.htm>

- EU Markets in Crypto-Assets (MiCA) Regulation:
https://finance.ec.europa.eu/regulation-and-supervision/regulatory-process-financial-services/regulatory-framework-financial-markets/markets-crypto-assets-mica_en
- PolygonScan: <https://polygonscan.com>
- Koinly Tax Guide: <https://koinly.io/guides/>
- TokenTax: <https://tokentax.co>
- Accountant: <https://www.accounting.com>