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Blockchain Tax Havens and Financial Secrecy: Liberia as a Case Study

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Abstract

This article delves into the transition from traditional tax havens to a new generation of digital jurisdictions powered by blockchain technology. It examines how blockchain wallets and decentralized exchanges are redefining financial sovereignty by offering anonymity, asset protection, and economic delocalization in response to increasing global regulatory scrutiny. While these tools revolutionize sovereign approaches to financial management, they also pose significant risks to nation-states, such as facilitating money laundering, asset concealment, and ultimately, tax evasion.

Through the case study of Liberland, a self-proclaimed micronation aspiring to be a "blockchain tax haven," the article reveals the tensions between libertarian utopian ideals and the practical limitations encountered in reality. Despite its ambitious vision, Liberland lacks the legal and economic infrastructure necessary to fulfill its promises, underscoring the challenges of transforming libertarian ideals into functional realities. The analysis suggests that the inefficient use of blockchain technology to achieve financial sovereignty is closely tied to Liberland's failure to realize its libertarian aspirations.

Finally, the article highlights the transformative potential of blockchain-based tax havens. By combining private justice through arbitration, digital autonomy in corporate structures, and financial decentralization enabled by blockchain, true virtual jurisdictions could emerge. These jurisdictions hold particular appeal for individuals and entities seeking greater autonomy and financial protection from state intervention.

Resumen

El presente artículo explora la transición de los paraísos fiscales tradicionales hacia una nueva generación de jurisdicciones digitales impulsadas por la tecnología blockchain. Se analiza cómo las billeteras blockchain y los exchanges descentralizados están redefiniendo la soberanía financiera, ofreciendo anonimato, protección de activos y deslocalización económica frente a la creciente presión regulatoria global. Estas herramientas, aunque revolucionarias en su nuevo enfoque soberanista, también plantean riesgos para los Estados, como facilitar el lavado de dinero, el ocultamiento de patrimonio y en definitiva, la evasión fiscal.

A través del caso de Liberland, una micronación autoproclamada que aspira a ser un "crypto paraíso fiscal", se revelan las tensiones entre la utopía libertaria y las limitaciones prácticas surgidas en la realidad. Liberland, a pesar de sus ambiciones, carece de infraestructura jurídica y económica para cumplir sus promesas, evidenciando los retos de convertir ideales libertarios en realidades funcionales. Se plantea que un uso ineficiente de la tecnología blockchain para obtener soberanía financiera está íntimamente relacionado con la falta de éxito de Liberland en sus pretensiones libertarias.

Finalmente, se destaca el potencial transformador de los "crypto paraísos fiscales". Mediante una combinación de justicia privada basada en arbitraje, autonomía digital en la creación de sociedades de capital y descentralización financiera basada en el blockchain,

se podrían constituir verdaderas jurisdicciones virtuales, especialmente útiles en la búsqueda de una mayor autonomía y protección financiera frente al Estado.

Keywords: Tax haven, Financial secrecy, Blockchain, Virtual jurisdiction, Liberia, Exchanges.

JEL Code: H26, H71, J52

1. Establishing Fundamental and Controversial Concepts: Tax Havens and Traditional Financial Secrecy:

The concept of tax haven has been extensively discussed in academic literature but simultaneously misunderstood both semantically and conceptually by the global press. Over a decade ago, certain authors attributed this terminological confusion to the inadequate use of the term by journalists and media outlets (Sharman, 2010). As a result, an ambiguous halo has developed around the term, raising the question of whether a tax haven refers to (a) jurisdictions with low taxes, (b) jurisdictions that are uncooperative with others, or (c) jurisdictions that, due to weak regulatory controls, enable money laundering from criminal activities. In this context, before addressing the notion of a "blockchain tax haven," it is necessary to clarify the highly contested term "tax haven."

On one hand, Geamănu (2015) explicitly associates the concept of a tax haven with its literal meaning: a jurisdiction with low taxes, particularly regarding the profits of local corporations. On the other hand, Picard and Pieretti (2010) highlight the lack of transparency and minimal cooperation as key elements of the definition. Finally, Emmenegger (2014) argues that the essence of the term lies in laws allowing financial institutions in these jurisdictions to offer banking secrecy, combined with the foreign status of most beneficiaries of these jurisdictions' special tax regimes.

Building on Emmenegger's insights, it might seem that any jurisdiction offering a lower tax regime compared to the average of the OECD member states—and used primarily by foreign nationals to evade scrutiny from their home countries—automatically qualifies as a "tax haven." However, as I will point out below, these are variable characteristics, so we are not dealing with a monolithic classification. In this regard, Masciandaro (2005) added further complexity two decades ago by introducing the term "offshore," arguing that the attraction of foreign capital for concealment or protection purposes transforms a low-tax jurisdiction into a "tax haven."

For the purposes of this article, and considering the above, a tax haven can be defined as a jurisdiction that clearly attracts foreign capital through specific features, including (a) permissiveness toward the international relocation of local corporate activities, (b) low corporate taxation, (c) a high degree of banking and corporate registry secrecy, (d) lack of cooperation with the national authorities of those benefiting from such regimes, and, in some cases, (e) permissive banking regulations allowing entry of unverified assets (sometimes, even cash) into the local banking system. Notably, criterion (d) is particularly relevant, as a given offshore jurisdiction may choose not to cooperate with the authorities of one country while cooperating with others. This explains why each country has its own list of tax havens, reflecting its unique definition of the term. Additionally, there are internationally significant lists, such as the OECD's periodically updated list of Non-Cooperative Jurisdictions. Some scholars criticize general analyses of whether a jurisdiction qualifies as a tax haven, arguing that such classifications stigmatize both the country and legitimate stakeholders protecting or accumulating assets there without violating any laws (Balakina, D'Andrea, & Masciandaro, 2016). In a similar vein, the Financial Action Task Force (FATF) maintains updated lists of "grey jurisdictions" or "jurisdictions under monitoring," underscoring that the concept is neither monolithic nor universally defined.

Within these jurisdictions—whether or not they meet all the aforementioned criteria—two types of entities are particularly relevant for this article: offshore companies and shell companies. Offshore companies engage in genuine commercial activities abroad while being incorporated in and officially domiciled in low-tax jurisdictions to benefit from reduced taxation or corporate registry opacity. Conversely, shell companies have no real activities and exist solely to obscure the true ownership of assets or to participate in sophisticated tax evasion or money laundering schemes (Piazza, 2017).

Tax evasion schemes involving tax havens typically operate through two main approaches, commonly referred to as the “sophisticated” and “rudimentary” methods. The sophisticated method often entails establishing subsidiaries in tax havens to exploit intra-group transfer pricing (Eden & Smith, 2011), whereby commercial transactions between the subsidiary and the parent company in the service-providing jurisdiction reduce the parent’s taxable profit. Alternatively, thin capitalization (Desai, Foley & Hines, 2004) involves a corporation in a non-offshore jurisdiction borrowing capital from an offshore affiliate, allowing profits to flow back to the offshore entity as interest payments subject to lower tax rates. For individuals, tax evasion strategies often focus on establishing tax residency in these jurisdictions to benefit from lower personal income taxes.

The rudimentary method, in contrast, evokes the stereotypical image of briefcases handcuffed to couriers or tourists smuggling cash to Caribbean destinations. However, stricter airport security measures—especially post-9/11—have significantly curtailed the movement of large cash sums (Tiwari, Gepp & Kumar, 2020). Nonetheless, such methods remain feasible in countries with high corruption levels, poverty, or authoritarian regimes where officials may accept a percentage of the illicit funds as a bribe. For such schemes to work, a national bank within the tax haven must accept cash deposits while asking relatively few questions about the origin of those funds.

OECD member jurisdictions have increasingly implemented Thresholds for Cash Payments (Sands et al., 2017) to combat such activities, prohibiting cash payments exceeding legally specified limits. For instance, Spain’s Law 11/2021 caps cash transactions at €1,000, a measure deemed “excessive” by the European Central Bank compared to the €10,000 limit established under the EU’s AML6 Directive (2018/1673).

This distinction leads to a nuanced categorization: tax havens with soft AML (Anti-Money Laundering) measures and those with strict AML measures. Some low-tax jurisdictions may refrain from cooperating with foreign authorities yet enforce banking regulations prohibiting the acceptance of funds linked to overtly criminal activities. Others may actively facilitate money laundering, allowing illicit assets into their financial systems.

In this duality, two indices stand out: the Financial Secrecy Index (Tax Justice Network) and the Basel AML Index (Basel Institute of Governance). While the former highlights jurisdictions where legal assets can be concealed from foreign authorities, the latter focuses on those enabling the laundering of illicit funds. By contrast, the European Union prohibits cash deposits exceeding legislated thresholds without notifying a national financial intelligence unit, as mandated by the EU’s 2018 AML Directive. Most developed

jurisdictions base their AML frameworks on FATF recommendations, notably the Risk-Based Approach (Jayasekara, 2021).

Finally, the concept of banking secrecy, unlike that of a tax haven, has already been thoroughly addressed in the academic literature (Jones, 1992). It refers to a set of national regulations that allow (a) domestic banks and (b) corporate registries, on the one hand, to open bank accounts and conduct transactions, and on the other, to establish domestic corporations, all under a high degree of secrecy concerning the ultimate beneficial owner of both the bank account and the incorporated company. This secrecy can be attributed primarily to two factors: First, local laws may require information about the beneficial owner of the bank account or corporation but fail to cooperate with foreign jurisdictions to share such information. This facilitates asset concealment, though not necessarily money laundering. Alternatively, the jurisdiction may lack robust KYC mechanisms or possess easily circumvented ones, thus enabling money laundering.

The concept of KYC, like banking secrecy, is a classical framework that dates back to the 1970s and has evolved to its current application in banking entities (Low, 2018) and, as we will see below, cryptocurrency trading platforms (Xu et al., 2021). It is based on a principle widely adopted in OECD jurisdictions and regulated in Spain through Royal Decree 609/2023 of July 11, which establishes the Central Registry of Beneficial Ownership, as well as Law 10/2010 of April 28, on the prevention of money laundering and the financing of terrorism. The underlying rationale is that no bank account, corporate entity, transaction, or business operation should exist without the State knowing the ultimate physical person who controls or benefits from it.

The aim is to prevent the use of the previously mentioned "shell companies" structured like "Russian nesting dolls," where one company owns another, which in turn owns another, with each entity located in a non-cooperative jurisdiction. In such cases, the national OECD jurisdiction of origin will never be able to ascertain or control who is ultimately behind these entities, except in rare cases involving a front person.

In this context, the Society for Worldwide Interbank Financial Telecommunication (SWIFT) also plays a pivotal international role, managing the SWIFT code system. This interbank connection system allows for the identification of the account holder at the moment of executing a national or international transfer (Hofilena & Sy, 2017). The key issue lies in the information provided at the time of the transaction. If the transfer occurs between two jurisdictions with banking secrecy, there is generally no problem. However, if the transfer reaches an OECD jurisdiction, the recorded account holder may be a company whose beneficial ownership remains unknown to the OECD jurisdiction, requiring the matter to be reported to the national financial intelligence unit.

2. The Disappointing Case of Liberland as a Blockchain Tax Haven:

Liberland is a self-proclaimed nation—a status that, beyond occasional humorous remarks from some ministers in response to journalist inquiries, has not earned recognition from other states. Academia tactfully defines such entities as having "limited recognition," with founders and citizens (yes, there are citizens, as we'll discuss) physically residing in other national jurisdictions. Liberland occupies a small, unclaimed tract of land between Croatia and Serbia along the Danube River, covering roughly 7 square kilometers. The Liberland government defends its existence based on the Roman law concept of "terra nullius", a law principle suggesting that if land is unclaimed and therefore, in theory, no state should oppose its creation (Nyangaga, 2022).

As a self-proclaimed micronation, Liberland has repeatedly promoted its vision on social media as a haven for personal and economic freedom. In legal terms, this translates to offering certain investors: (a) e-citizenship, (b) the ability to establish zero-tax companies under its questionable jurisdiction, and (c) somehow, the potential to host cryptocurrency (or mere tokens, issued without an own blockchain network) in digital wallets on a sort national platform. This introduces an initial framework for the notion of a "blockchain tax haven," which will be developed in this section. Some authors have even explored the term "cyber-jurisdiction" to describe the legal systems of unrecognized states with limited territory, such as Liberland or the defunct Principality of Sealand, a former offshore platform that served as a virtual jurisdiction and haven for online casinos worldwide (Arenas, 2002).

However, the reality of Liberland's operations diverges significantly from its stated aspirations. Today, the Liberland government's website offers little more than services such as real state business in Serbia, acquiring liberland e-residencies, and purchasing tickets to Liberland-related events. Amid these offerings, the liberland government claims to facilitate the establishment of "Liberland companies." This aspect merits closer scrutiny, as a blockchain tax haven, to be so-called, must possess a registry authority that refuses to cooperate with foreign jurisdictions. However, a review of the terms and conditions for forming a Liberland company—curiously framed as an online product rather than a legal entity governed by Liberland's corporate laws—reveals the following limitations: (a) owning a Liberland company, under the view of the government of Liberland, does not permit conducting business under its own name. To do so, a second legally recognized entity is required (for example, the physical liberlander citizen under his original foreign identification number). This implies that services provided by a Liberland company must also be contracted, jointly or otherwise, with the individual owner or administrator. Furthermore, (b) having a Liberland company has "no effect whatsoever" on the tax obligations of the foreign citizen who owns it (Liberland Market, 2024).

In essence, under the guise of libertarian ideals, Liberland appears to be selling paper certificates masquerading as companies. These entities, under the perspective of the government of Liberland, neither qualify as legitimate corporate entities with independent legal personality—an essential feature of any capital company—nor serve to facilitate the relocation of services for favorable taxation, as their establishment in Liberland has no impact on the owner's tax liabilities in their home country. This revelation warrants

academic criticism of the scholarship that has endorsed the "utopia" of Liberland (Rossman, 2016). In practice, its libertarian jurisdiction has been reduced to an online marketplace that, as of now, supports the controversial affiliate marketing model typically associated with pyramid schemes—banned in Spain under Article 24 of Law 3/1991 on Unfair Competition.

While this author hopes that time proves otherwise and Liberland evolves into something fundamentally different from its current state, the government's claim to be a "free-tax country" appears to be misleading advertising. Similarly, Liberland's e-residency program, far from providing a genuine tax residency with legal implications, is described as a "nomadic community embracing a unique lifestyle" and merely grants access to an app where users can form the aforementioned legally dubious companies and trade services with fellow e-residents (Liberland Government, 2024). All of this, of course, is subject to payment to the self-constituted Liberland government, which seems to have developed a taste for charging citizens for services, much like conventional states.

Nonetheless, private law implications regarding legal entities created under the authority of unrecognized states (e.g., a Liberland company attempting to establish a subsidiary in Spain under Article 300 of the Spanish Commercial Registry Regulation) remain largely unexplored, with rare exceptions tied to specific historical contexts, such as the collapse of the Soviet Union (Hatzimihail, 2022). For instance, the Spanish government recently stated it would accept Kosovo passports as valid legal documents for entering and exiting the country, despite not recognizing Kosovo's independence (El País, 2024). This demonstrates that non-recognition of a state does not preclude legal validity for certain documents issued by that state, like for example, the creation of a company. Similarly, Spain's foreign investment form D1A, under the Directorate-General for International Trade and Investment's January 31, 2024 resolution, allows selection of "Western Sahara" as the country of origin for investments, even though Spain does not recognize its independence.

In principle, it is the opinion of this author that a Liberland company could theoretically conduct business in Spain, entering into contracts that specify its national liberland identification number and the physical representative, under Article 1255 of the Spanish Civil Code, that protects freedom of trade. However, the lack of independent legal personality for Liberland companies (under the Liberland government) and the absence of a professional corporate registry present significant barriers to the application of the Article 1255 of the Spanish Civil Code. This perspective aligns with the principle of freedom of contract, which states that private agreements are enforceable as long as they are lawful and do not contravene public policy (Fraga & Kosme, 2012). Still, Spanish courts could apply the well-known doctrine of piercing the corporate veil (*levantamiento del velo societario*), holding Liberland company owners personally liable (Alfaro, 2015), or treat these entities as *de facto* Spanish partnerships subject to individual taxation (Bilbao, 2011).

Despite the disappointing case of Liberland, it raises a compelling question: Could private citizens, on an unclaimed parcel of land, establish virtual jurisdictions or e-jurisdictions with independent legal systems, justice frameworks, and citizenships as a form of protest against taxation and, in general, governance formulas in their countries of origin? Professor Jesús Huerta de Soto (2023) frequently refers to this concept as the right to "vote with one's feet", This is, leaving a country or seeking alternative means to protect their wealth

or assets. A libertarian idea advocating for the creation of new political entities by like-minded individuals seeking greater independence. This possibility is closely tied to blockchain technology, which enables decentralized currencies and quasi-financial institutions that are inherently beyond state control. The next chapter will explore this idea in depth.

In conclusion, while Liberland may currently fall short of its aspirations, it serves as an incubator for an inevitable reality: blockchain tax havens, as defined in the first chapter. This new reality would consist of independent citizens forming (more or less recognized) entities, that may have state aspirations or mere national de facto associations to (a) conduct private business outside state control under the freedom of trade stated by Article 1255 of Spanish Civil Code and (b) safeguard their assets and services, such as currency by the use of decentralized blockchain wallets in non cooperative jurisdictions (c) and alternative justice systems based on civil arbitration, avoiding the use of backlog spanish national courts. The next chapter will focus on decentralized financial services, with a particular emphasis on cryptocurrency exchanges.

As the state cannot dictate who may conduct business with whom—subject to legality and ethical considerations of the particular business—neither can it prevent private parties from agreeing on dispute resolution mechanisms. This principle is well-established in international arbitration frameworks, including UNCITRAL’s Model Law and Spain’s Arbitration Act 60/2003, which affirm the parties’ autonomy to choose governing rules and arbitrators for their agreements (Mankowski, 2017; Fernández, 2021).

Thus, Liberland could theoretically establish an arbitral court whose awards would require recognition and enforcement in Spain, without prejudice of the Spanish recognition of Liberlands sovereignty. Private contracts could also invoke Liberland’s laws, which Spanish courts must accept as evidence of “foreign law” under Article 281 of the Spanish Civil Procedure Act. Such developments underscore the potential for independent citizens to create virtual jurisdictions.

Therefore, the experience of Liberland reveals the existence of significant legal mechanisms that enable citizens, as Professor Huerta de Soto suggests, to “vote with their feet” in matters concerning their relationship with their country of origin. However, beyond its own legal framework and independent arbitration courts, as previously mentioned, a blockchain tax haven requires the capability to safeguard personal assets against the jurisdiction of the country of origin. This is where the concept of “blockchain banking secrecy” emerges.

3. Blockchain Wallets as New Offshore Banking Entities:

As explored in the first section, the designation of a tax haven—under the ad hoc definition provided in this article—is closely tied to the concept of banking secrecy. This entails either not requiring significant user information to open a bank account or execute a bank transfer or, when such information is collected by the local bank, refusing to share it with authorities from third-party jurisdictions. The same concept applies, *mutatis mutandis*, to the

registration of local corporate entities in such jurisdictions. In other words, the local jurisdiction disregards the "ultimate physical owner" requirement in most OECD jurisdictions by allowing unidentified individuals or shell companies to serve as the registered owner of entities in that local jurisdiction. This registry secrecy must necessarily align with banking secrecy, as newly registered local companies often hold accounts in offshore banks as sole owners or sole administrators of other foreign corporations. Banking secrecy loses its relevance if corporate registries reveal the ultimate physical owner of a company maintaining an offshore bank account.

In this context, even if Liechtenstein were to establish legal personality for its corporate entities and build a justice system grounded in private arbitration, as suggested earlier, it would face a significant hurdle in realizing its libertarian utopia: the absence of its own banking entities. Furthermore, no prospective virtual jurisdiction is likely to have banking entities connected to the SWIFT system discussed in the first chapter. Consequently, the asset protection and non-cooperation afforded by banking secrecy would, at first glance, be non-existent.

However, KYC requirements applied to banking institutions, particularly the due diligence mechanisms recommended by the OECD (2019), are critical in determining whether an offshore jurisdiction cooperates with other jurisdictions and whether it facilitates money laundering to varying degrees (Nobanee & Ellili, 2018). In the 2010s, alongside the cryptocurrency boom, states began extending KYC regulations to general crypto-asset trading platforms within OECD jurisdictions. This extension, which we will revisit later, has been academically described as the "recalibration of banking secrecy" (Thommandru & Chakka, 2023).

Within Europe, this recalibration took the form of Regulation 2023/1113 of May 31, which concerns the information accompanying transfers of funds and certain crypto-assets. This EU regulation amends Directive (EU) 2015/849 and Regulation (EU) 2023/1114 on Markets in Crypto-Assets. Any crypto-asset trading platform or, in general, blockchain service provider seeking to operate legally and uniformly within EU jurisdictions must implement measures to: (a) identify the parties to all cryptocurrency transactions executed on their platform (for low-value transactions, KYC is merely suggested, not required); (b) automatically report certain transactions classified as "high risk" to national tax authorities; (c) cooperate with any national authority requesting information; and (d) maintain detailed personal data records linked to specific blockchain wallets where users can "hide" crypto assets (Randaliev, 2023).

The implementation of these KYC measures has produced a curious effect: just as each country maintains its own list of non-cooperative jurisdictions, a second category has emerged—non-compliant crypto-asset platforms. These are entities that do not register with national authorities and, consequently, have no incentive to comply with information requests from these authorities. In Spain, this list is maintained by the National Securities Market Commission (CNMV, 2024) and includes dozens of crypto – asset platforms that silently attract users seeking to evade taxes given that they are not "regulated" and therefore will not cooperate with any request of information issued by a national authority.

In other words, just as there are banking institutions that allow cash deposits with minimal justification regarding their origin and generally facilitate the concealment of assets from the jurisdictions of their holders, there are crypto – asset platforms entities that operate in a similar manner. These entities accept cryptocurrency trading transactions without identifying the physical user of each party in the transaction as well as permit the purchase of cryptocurrencies using funds from offshore banking institutions. Additionally, when combined with the use of blockchain wallets, these mechanisms enable the concealment of crypto assets from the national authorities. This practice represents the true foundation for the establishment of blockchain tax havens or autonomous crypto jurisdictions, as they effectively function as offshore banking entities. However, before proceeding further, it is essential to delve briefly into the technical distinction between the concept of a blockchain wallet and a crypto - asset platform, commonly referred to as "exchanges".

A blockchain wallet is a digital tool that interacts with blockchain networks, enabling users to store, send, and receive crypto-assets. Technically, wallets do not store the assets themselves but rather cryptographic keys that grant access to them on the distributed network. These keys consist of a public key, which serves as an address for receiving assets, and a private key, necessary for authorizing transactions. Crypto "whales"—large holders of crypto assets—commonly secure their wallet keys using highly protected methods, which includes pieces of paper in secure boxes or even hidden tattoos on their own bodies. Without the private key, courts or tax authorities cannot access the funds, rendering judicial and/or administrative orders ineffective.

Blockchain wallets fall into two primary categories: hot wallets (connected to the internet) and cold wallets (offline). Hot wallets provide some compliance potential, as they may implement judicial or tax authority orders to a (very) limited extent, such as inform of the amount of crypto assets hidden in a wallet or – sometimes -, the real name of the user. In contrast, cold wallets offer superior security for long-term storage by remaining entirely offline. Using asymmetric cryptography and standards like BIP-32, cold wallets generate hierarchical addresses, allowing users to manage multiple assets under a single master key (Antonopoulos, 2017). Importantly, while a hot wallet provider might supply limited information about an account's owner, a cold wallet provider cannot access the funds under any circumstances and will not be secure about who is holding or securing that cold wallet, that could be privately sold with the crypto – assets inside as part of a business.

An exchange, on the other hand, is a platform where users can trade crypto-assets for fiat currencies or other crypto-assets. Exchanges fall into two main categories: centralized (CEX) and decentralized (DEX). CEX platforms like Binance or Coinbase act as intermediaries, managing transactions on behalf of users. While offering liquidity and user-friendly interfaces, they rely on private databases for internal transactions, with final settlements recorded on the blockchain. DEX platforms like Uniswap use smart contracts to automate transactions without intermediaries, granting users greater control and transparency over their assets. DEX platforms are generally less susceptible to compliance requirements and information-sharing agreements (Zhang et al., 2020).

Non-compliant entities can provide both blockchain wallet services, as well as act as a crypto trading platform. These services enable users to buy and store cryptocurrencies without implementing KYC measures or revealing physical ownership details. Most of these

entities operates under DEX models in order to avoid even the possibility to comply with a court order, while some centralized providers (CEX) are domiciled in non-cooperative jurisdictions to achieve similar outcomes. Cold wallets, disconnected from the internet, render user information completely inaccessible to the service provider, creating an additional layer of opacity (Kushnirenko & Kharatishvili, 2023). Thus, even if a service provider wanted to comply with a tax authority's or court's request, they would be unable to identify the owner of, for instance, several million euros' worth of Ethereum.

Therefore exchanges and blockchain wallet providers are emerging as the new offshore banks. A segment of the sector: (a) refuses to implement KYC measures, enabling anonymous cryptocurrency transactions; (b) allows offshore bank funds to flow into cryptocurrencies without KYC; and (c) operates in non-cooperative jurisdictions, making local authorities unlikely to enforce information disclosure. Even if such enforcement occurs, the absence of mandatory KYC renders information-sharing impossible, as the user's real identity remains unknown.

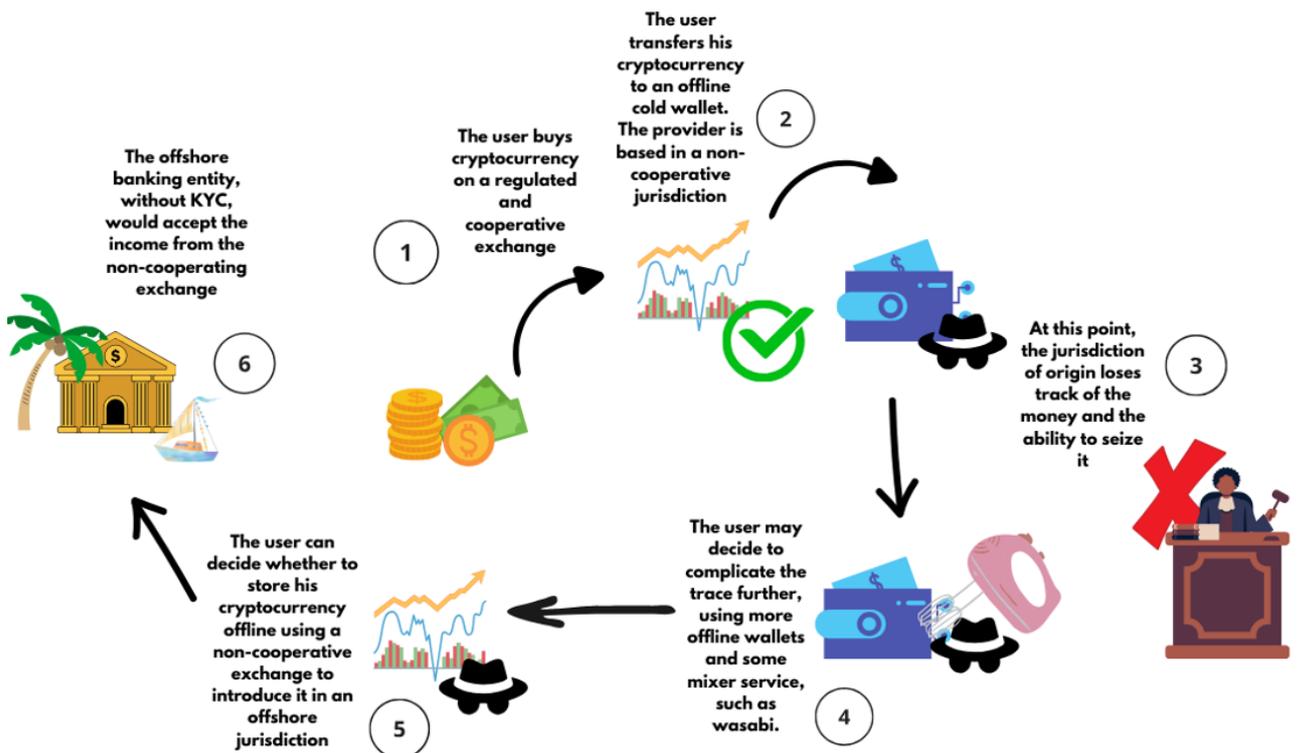
Looking ahead, the combination of anonymous, non-cooperative blockchain financial systems with unregulated corporate structures allowing for virtual shell companies will likely form the foundation for future libertarian or utopian experiments like Liberland. These systems may also include alternative justice frameworks based on private arbitration. The convergence of anonymous blockchain economies with decentralized governance models, resistant to state intervention, signals a paradigm shift. Blockchain systems offer the technological infrastructure to enable entirely new forms of sovereignty, heralding the dawn of true virtual jurisdictions.

It is worth briefly mentioning that the minimal taxation of crypto-assets has become one of the main attractions of tax havens, facilitating not only investment in this sector but also the establishment of uncooperative exchanges with no KYC in such jurisdictions. The emergence of this technology within the international financial system and its use as decentralized banking entities have compelled tax havens to extend their already limited banking tax framework to include these types of structures.

Conversely, jurisdictions that traditionally suffer from capital flight have increasingly imposed fiscal pressure on crypto-assets, perceiving them as mere tools for tax evasion (Bakradze, 2021). In Spain, the General Directorate of Taxes (Dirección General de Tributos, DGT) has issued binding consultations addressing key aspects of cryptocurrency taxation. For instance, consultation V2616-22 establishes that transactions involving cryptocurrencies generate capital gains or losses that must be declared under the Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas, IRPF), using valuation criteria outlined in Law 35/2006. Similarly, consultation V2304-23 emphasizes the obligation to report such transactions in the fiscal year in which they occur, including both exchanges between crypto-assets and conversions to fiat currency.

In parallel, consultation V2185-23 highlights the obligation to declare balances held in foreign exchanges through Form 721, as regulated by Article 42 quater of Royal Decree 1065/2007. This form, whose first declaration is due in 2024 for 2023 data, aims to enhance fiscal transparency and reduce tax evasion through digital assets. Therefore, OECD jurisdictions have essentially extended the standard tax regime applicable to tangible

assets to crypto-assets, without granting them any favorable treatment. This approach, in my opinion, will facilitate the continuation of capital flight through blockchain technologies, adding to the outflows traditionally experienced by the aforementioned jurisdictions.



4. Conclusions:

Tax havens have evolved from an ethereal and predominantly territorial concept to a more tangible phenomenon with a clear virtual horizon, driven by blockchain technology. This shift not only reconfigures traditional dynamics of tax avoidance and asset protection vis-à-vis OECD jurisdictions but also introduces new possibilities for financial autonomy and the decentralization of communities pursuing libertarian initiatives. Thus, it can be concluded that the emergence of "blockchain tax havens" redefines relationships among citizens, corporations, and states, opening a broad spectrum of self-organization opportunities.

First, blockchain technology enables the relocation of essential functions, such as the custody of crypto-assets and the execution of anonymous transactions, thereby eroding the traditional control states exert over financial flows. Blockchain wallets and decentralized exchanges function as new offshore banking entities, providing tools to conceal and manage resources outside state oversight. While these innovations enhance privacy and financial freedom, they also present risks, including the facilitation of or avenues for money laundering.

Second, the case study of Liberland highlights the structural limitations of emerging initiatives that attempt to establish sovereign jurisdictions based on blockchain. Despite presenting itself as a model of economic freedom, Liberland lacks essential elements to operate effectively as a tax haven, such as robust legal personality for its corporate entities and an autonomous financial system underpinned by blockchain. This underscores the gap between the promise of "tax-free" blockchain tax havens and the practical challenges of their implementation.

However, the failure—or yet unrealized success—of Liberland should not be seen as a wholesale rejection of the model of digital jurisdictions. Instead, it serves as an initial attempt that offers valuable lessons for future libertarian experiments. The potential to combine private justice, digital sovereignty, and blockchain technology points to a likely transformation of traditional notions of taxation and governance. These elements not only present opportunities for innovation but also raise ethical questions about tax responsibility and the protection of advanced, democratic societies from illicit activities.

The interaction between digital jurisdictions and traditional states is an area urgently requiring attention, given that the principle of trade freedom already allows for businesses to operate under the laws and virtual arbitration courts of offshore jurisdictions. In this context, states face the challenge of offering a paradigm shift to recover a sense of tax solidarity, which is currently being undermined by various experiments aimed at tax evasion. Globally accepted regulations, such as AML and KYC standards—particularly those recommended by FATF and the OECD—have proven effective in traditional contexts but must be adapted to address the complexities of cryptocurrencies, cold blockchain wallets, and decentralized exchanges.

From an ethical standpoint, it is essential for an open society to uphold avenues for financial privacy. These include the use of cash, the ability to hold tokenized assets in cold wallets, and the use of bank accounts in countries other than one's country of residence. The perspective that grants the State the absolute right to fully access the financial realities of its citizens—particularly those that are minor or insignificant—will lead to nothing but an increasingly widespread desire to utilize every available structure to avoid such scrutiny. In light of this reality, digital jurisdictions will play an increasingly fundamental role, as they allow citizens a certain degree of privacy and security in the face of the growing interest of OECD states in exerting greater control.

I would also highlight the multiples opportunities presented by private justice systems based on arbitration. Digital jurisdictions can leverage international arbitration and alternative dispute resolution mechanisms to establish globally recognized legal frameworks, ensuring legal certainty for transactions conducted under the laws of these new virtual jurisdictions.

Ultimately, blockchain tax havens represent a new paradigm that combines financial decentralization, legal autonomy, and, most importantly, a high degree of independence from traditional state authorities. Although still in an early stage, these models have the potential to redefine the concept of sovereignty and international economic relations. The future of tax havens will undoubtedly be digital. However, their impact will depend on the

ability of states and international financial authorities to balance economic freedom with fiscal responsibility, which underpins social welfare. In this context, initiatives like Liberland should not be dismissed as mere utopias but rather seen as necessary experiments that explore the boundaries of sovereignty in today's world and the financial freedom of individuals, now empowered with blockchain tools.

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