

# Legal regulation of cryptocurrency and NFTs

Sweden





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## Introduction

There is an increasing number of charities across the world that have started accepting cryptocurrency as donations, including **UNICEF** and the **Salvation Army**. New platforms like **The Giving Block** and **DoInGud** are helping nonprofits to raise funds with cryptocurrency and non-fungible tokens ("NFTs").

To help charities better understand the opportunities and risks involved in working in this new context, PILnet with its partners launched a project about legal regulation of cryptocurrency and NFTs in different jurisdictions around the world.

The report below aims to consider:

- (a) The legality of cryptocurrency
- (b) Accepting cryptocurrency
- (c) Accepting NFTs and its proceeds
- (d) Issuing NFTs to raise funds

## Disclaimer

PILnet, and partners participating in this research are not liable towards third parties for the accuracy of the information contained in the research about Cryptocurrency and NFTs. The information contained herein cannot be considered as legal advice. The research was carried out in 2022-2023 and responds to the regulatory framework in effect during this time period.

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## 1. Is engaging in blockchain technology legal in this jurisdiction?

Under Swedish law it is legal for NGO to engage in blockchain technology.

## 2. Is accepting cryptocurrency permitted for charities? If so, what legislation/regulation governs it?

**2.1 What limits and restrictions exist in terms of the types of cryptocurrencies that a charity can accept? (For example: Is there a prohibition or restriction on Bitcoin (BTC), Ethereum (ETH) and/or stablecoins (e.g. USDT)? Is there any restriction on the amount of cryptocurrencies that a charity and NGO can accept?)**

There are no restrictions on the form of a donation and therefore a donation can be provided in a cryptocurrency without any specific limitations.

**2.2 Are there any prescribed processes or restrictions in realising the value of cryptocurrencies?**

**2.2.(a). Is a charity or NGO permitted to open its own wallet(s) and exchange account(s) for receipt of donations in cryptocurrencies?**

Yes.

**2.2.(a).(i). What exchanges are permitted and/or prohibited? (e.g., Coinbase, Crypto.com)**

No restrictions are applicable.

**2.2.(b). Can a charity or NGO manage its own wallet(s) and exchange account(s) and the cryptocurrencies therein?**

Yes.

**2.2.(c). If a charity or NGO cannot directly manage cryptocurrencies, how are charities and NGOs able to convert cryptocurrencies to fiat? (For example: Does the charity or NGO need to engage with a**

third-party vendor/intermediary?)

N/A

**2.2.(d). Can a charity or NGO use cryptocurrencies directly for its transactions?**

Yes.

**2.2.(e). Can cryptocurrencies be used as payment for goods or services provided by the charity or NGO?**

Yes.

**2.2.(f). How should the charity or NGO record and account for the digital assets held?**

Digital assets/cryptocurrencies are recorded as "other assets"/inventory.

**2.3. Do the company's governance documents allow the charity or NGO to deal with crypto assets?**

**2.3.(a). Is dealing with cryptocurrencies and NFT's consistent with the charity or the NGO's charitable purpose?**

Yes.

**2.3.(b). Does an officer of a charity or NGO need to seek any approval or obtain any authority to open and manage the charity or NGO's wallet(s) and exchange account(s)?**

No. A permit from the Swedish Financial Supervisory Authority is only required if the charity or NGO carry out professional activities that include e.g. offering of exchange between virtual currencies and traditional currencies (e.g. Bitcoin to SEK), offering of exchange between virtual currencies (e.g. Bitcoin to Ether) or offering of transfer of virtual currencies (e.g. between different wallets).

**2.3.(c). Do the existing governance documents provide sufficient oversight for the management of digital assets?**

In general terms yes, however this must be assessed in respect of the governance documents of the respective charity/NGO.

**2.3.(d). Does the charity or NGO need to report digital assets in audits and financial reports?**

Yes, it should be regarded as "other assets".



## **2.4 How does the jurisdiction's anti-money laundering/counter-terrorism financing (AML/CTF) regime (if any) address cryptocurrency donations?**

As a general rule NGOs are not obliged persons under Swedish AML law, unless they engage in a business activity that falls within business activities defined by Swedish AML law (e.g. payment services, investment services or professional activities that include the offering of exchange between virtual currencies or offering of transfer of virtual currencies between different wallets).

### **2.4.(a). Does the receipt of cryptocurrencies by a charity or NGO need to be reported in compliance with the AML/CTF regime of your jurisdiction?**

No, please see above.

#### **2.4.(a).(i). Can donations be made anonymously? If not, what disclosure requirements are present in relation to donor identity and the donations value?**

Yes, it can be made anonymously. However, a foundation must continuously keep accounts of amounts that have been paid into or paid out by the foundation. There must be verifications for deposits and withdrawals. The accounts must be concluded with a summary for each financial year. The summary must show assets and liabilities at the beginning and end of the financial year as well as income and expenses during the financial year. The summary must also state the value of the foundation's assets at the end of the financial year. Foundations that have assets with a market value of more than SEK 1.5 million must also publish an annual report.

#### **2.4.(a).(ii). If a donation exceeds a certain amount, does the charity or NGO need to do due diligence? If so, how?**

No.

## **2.5. Is accepting NFTs permitted for charities and NGOs? If so, what legislation/regulation (if any) governs it?**

Yes, it is permitted. There is no specific legislation.

### **2.5.(a). What limits exist in terms of the proceeds that can be derived from the sale of NFTs donated? (For example: Can proceeds be converted to cryptocurrencies (e.g. BTC, ETH or stablecoins), or is conversion confined to your jurisdiction's own digital or fiat currency?)**

No limits are set by law and proceeds can be converted into cryptocurrencies and fiat currencies.

**2.6. Does the receipt of NFTs by a charity or NGO need to be reported in compliance with the AML/CTF regime of your jurisdiction?**

No.

**2.6.(a). Can donations be made anonymously? If not, what disclosure requirements are present in relation to donor identity and the NFTs value?**

Yes, it can be made anonymously. However, a foundation must continuously keep accounts of amounts that have been paid into or paid out by the foundation. There must be verifications for deposits and withdrawals. The accounts must be concluded with a summary for each financial year. The summary must show assets and liabilities at the beginning and end of the financial year as well as income and expenses during the financial year. The summary must also state the value of the foundation's assets at the end of the financial year. Foundations that have assets with a market value of more than SEK 1.5 million must also publish an annual report.

**2.7. Are there any prescribed processes and/or restrictions in realising NFTs and converting it to fiat?**

No.

**2.7.(a). If a charity can auction/sell NFTs themselves, how can this process be legally undertaken?**

**2.7.(a).(i). Are there restrictions on how NFTs can be held by a charity or NGO, including in particular the length of holding of the NFT?**

No.

**2.7.(a).(ii). What platforms can NFTs be sold on? Are there any prohibited sites/mediums?**

There are no restrictions.

**3. Is issuing NFTs to raise funds permitted for charities? If so, what legislation/regulation (if any) governs it?**



**3.1. Are there any restrictions on how a charity or NGO can create and sell NFTs or NFT collections?**

No.

**3.1.(a). Are charities and NGOs able to collaborate with third party partners to create NFTs?**

Yes.

**3.1.(b). What functions and features can a charity or NGO include in the NFTs they create and sell (for example, functions and features that resembles that of securities/ investment contracts)?**

NFTs is unregulated in Sweden, so there are currently no laws or official guidance that cover this yet.

**3.1.(c). Can charities and NGOs design their NFTs so that they have real-world benefits?**

Yes.

**3.2. What proceeds are charities and NGOs able to accept from issuing and selling their own NFTs?**

A foundation may accept proceeds in accordance with the below. However, please note that a foundation may only engage in business if the business is a mere incidental activity and the proceeds of the business serve only to further its purpose; however, the foundation may not engage in business if the founder has excluded it in the foundation's ordinance.

**3.2.(a). Can charities and NGOs only accept proceeds from the initial sale of the NFT?**

Yes, it is possible.

**3.2.(b). Are charities and NGOs permitted to gain royalties from subsequent sales of NFTs by third parties?**

Yes.

**3.3. Do NFTs sales need to be reported by a charity or NGO in compliance with the AML/CTF regime of your jurisdiction?**

No.

**3.3.(a). Are initial and subsequent purchasers of the NFT issued able to remain anonymous?**

Yes.

## **4. Are there tax implications for donations of cryptocurrency or NFTs? Are there obligations to pay tax for charities who sell NFTs for fundraising purposes?**

**4.1. Has the tax authority in your jurisdiction issued any guidance about the taxation of digital assets, including cryptocurrencies and NFTs?**

No not in relation to foundations or donations.

**4.2. Is a donation of digital assets to charities or NGOs considered a taxable event for the donor in your jurisdiction?**

No.

**4.2.(a). Are tax deductions available for the donor in respect of donations of digital assets?**

No

**4.2.(b). Is there a requirement for the donor to keep certain records or obtain valuations regarding the donations of any digital assets?**

No.

**4.3. Are there Capital Gains Tax (CGT) or other tax implications arising at the time of donation for the charity or NGO in your jurisdiction?**

No. However, if you have received cryptocurrency as payment in your business activities, the subsequent change in value must normally be taxed as income from capital.

**4.3.(a). Is there a requirement for the charity or NGO to record donations of digital assets received?**

No, there is no such requirement.

**4.3.(b). Is the charity or NGO required to value the digital assets, including NFTs, at the time of donation? If so, are there any prescribed valuation methods?**



No. In general, when determining the value of the foundation's assets, each asset must be taken up at a value that corresponds to what the asset can be considered to be worth in a sale under normal conditions.

**4.3.(c). Is there a requirement for the charity or NGO to issue receipts or written recognition to donors? If so, is there an established process that must be adhered to or information which must be disclosed (for example, the date of receipt, the number and type of asset received, and the market value at the time of receipt)?**

No.

**4.4. Are there any CGT or other tax implications for the charity or NGO arising in your jurisdiction, if the charity or NGO plans to dispose of or transact with the digital asset subsequently?**

No.

## **5. What is the best practice or guidance?**



**5.1. Is there non-binding guidance (if any) issued by any regulatory or government authority or industry association in your jurisdiction in relation to best practices relating to acceptance and issuance of cryptocurrencies and NFTs?**

No, the Swedish Tax Agency has published some guidance which mostly relate to how private individuals shall handle the tax matters which arise when selling or paying with a cryptocurrency.

Legal regulation of cryptocurrency  
and NFTs in Sweden

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