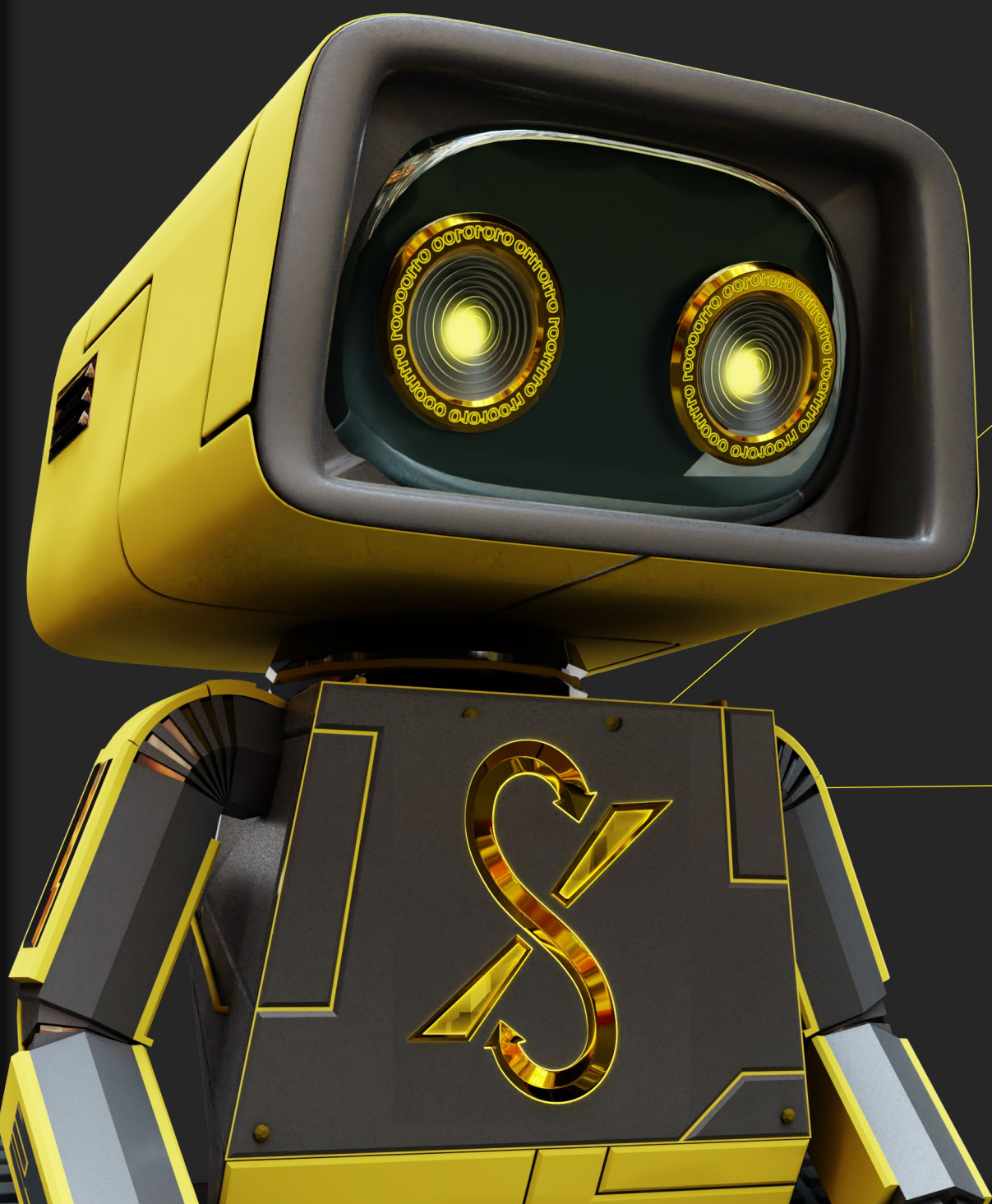# Sync-Tax™
WhitePaper

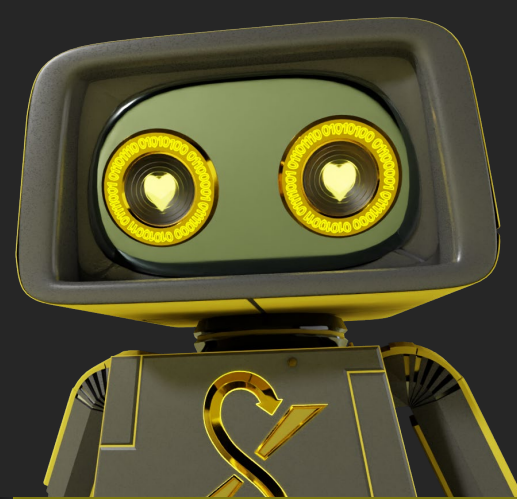## December 2024

Removing the barriers of tax management,
making it easier for all to use.

Order of Content

Sync-Tax Overview

The problem with crypto taxation.

Trading digital assets is fun.

Recording, tracking, calculating and then paying the tax you owe is not easy.

In fact, crypto taxes are one of the biggest pain points for all crypto investors. So much so that the prospect of falling foul of the tax authorities can put people off investing in crypto altogether.

For those who already use crypto though, doing your taxes is by far the least enjoyable event of every year.

Crypto tax liabilities begin on the day you first purchase cryptocurrency or any other digital asset (e.g. NFT's). Calculating your crypto taxes starts the day you buy your first crypto currency or other digital asset. This is because in almost all jurisdictions, you need to track the starting price at which you bought something in order to determine any future gains you make from selling it.

This process is time consuming, not to mention confusing. This can lead to errors, which can cause authorities to impose fines. These fines can disrupt someone's day-to-day cashflow or hinder their ability to invest in the future. Even if you've never received such a fine, calculating your crypto taxes usually can cause some fear and anxiety.

What's more, it can feel deeply frustrating that this is the process everyone has to go through in an industry that is built on transparent and public digital ledgers.

Something needs to be done, not least because it affects almost every crypto investor, whatever their scale, success, nationality or location.
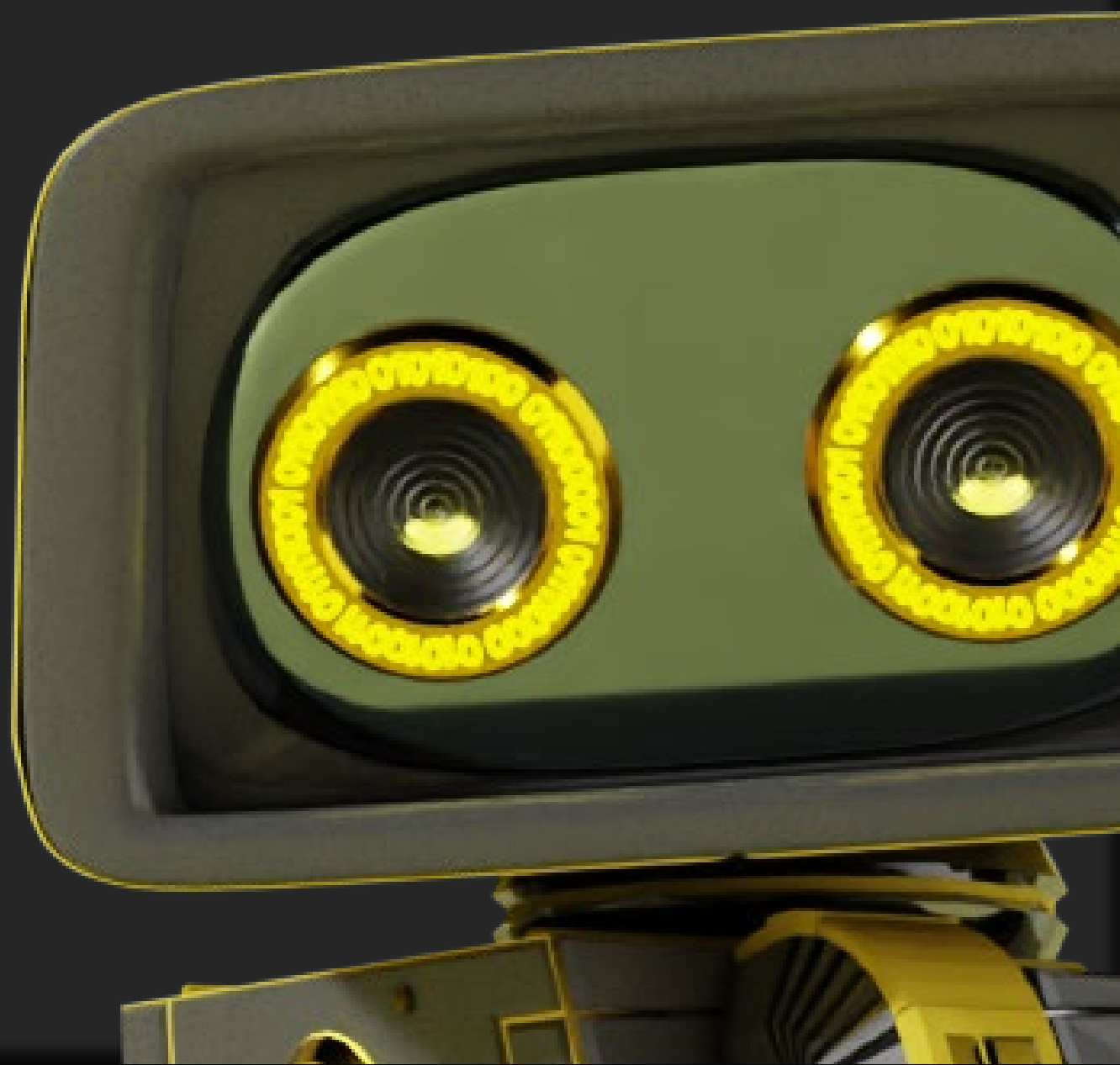
Taxation Development

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While some of crypto's most ardent participants see this financial movement as a break from the nation state's control of money and the tax systems that come with it, the reality for most ordinary crypto investors is very different.

They want to invest in the networks of the future, the tokens that power them and the decentralized applications (DApp) that run on them. They also want to continue living in the community they've chosen and understand that paying taxes is part of the social contract that enables them to do so.

However, even for the most law-abiding and financially savvy investor, paying your crypto taxes is not a simple process, wherever you live. Furthermore, there are marked differences between how digital assets are defined by authorities around the world and how they are taxed.

Below are just a few examples of these differences, from major economies and countries where crypto adoption is particularly high.

USA
The USA is the largest economy in the world and is also the major economy with the highest level of crypto adoption. The amount of tax you pay on your crypto activities depends on a number of factors, including where you live in the country and the time period over which any gains were made.

European Union
Different countries within the EU treat taxation differently. In Malta, for example, crypto is treated as a unit of account or medium of exchange and therefore goes untaxed. However, at the start of 2023, the EU proposed a crypto tax that would be introduced for the whole region.

India
India is expected to become the most populous country in the world. It already sits in fourth place in the table of global cryptocurrency adoption. However, it also currently levies a 30% tax on gains and a 1% tax on every crypto transaction.

China
The world's second largest economy has recently reported that it will charge a flat rate of 20% tax on all cryptocurrency transactions.

Sync-Tax Users

On top of the significant differences between how different countries treat digital assets and transactions, it's also important to consider the difficulties that various users face when it comes to recording, monitoring and paying the correct tax.

The tax authority for a country or economic region will set the guidelines for how cryptocurrencies and other digital assets will be taxed but then these need to be implemented or followed by specific users.

All of these different user types will face different blockers in doing so and it's worth considering the specific user journeys they take to understand the full extent of the crypto taxation problem that needs to be solved.

User: frequent, informal, high-risk trader

Description: heavy user of crypto, regularly trading assets to maximize profits.
Problem: wants to be a trader not a bean counter but knows they must pay taxes.

User: ordinary investor

Description: no exposure or very little exposure to crypto, even though it interests them.
Problem: is wary of and confused by crypto investing and the tax liabilities it may bring.

User: tax advisor

Description: an accountant or financial advisor who assists ordinary people with tax affairs.
Problem: wants to help clients but doesn't understand crypto or blockchain technology.

User: Government agency

Description: responsible for collecting taxes from individuals involved in crypto investing.
Problem: finds it hard, confusing and time-consuming to interrogate crypto transactions.

By solving these user problems, Sync-Tax® seeks to make their lives easier and encourage more of them to join the world of crypto!
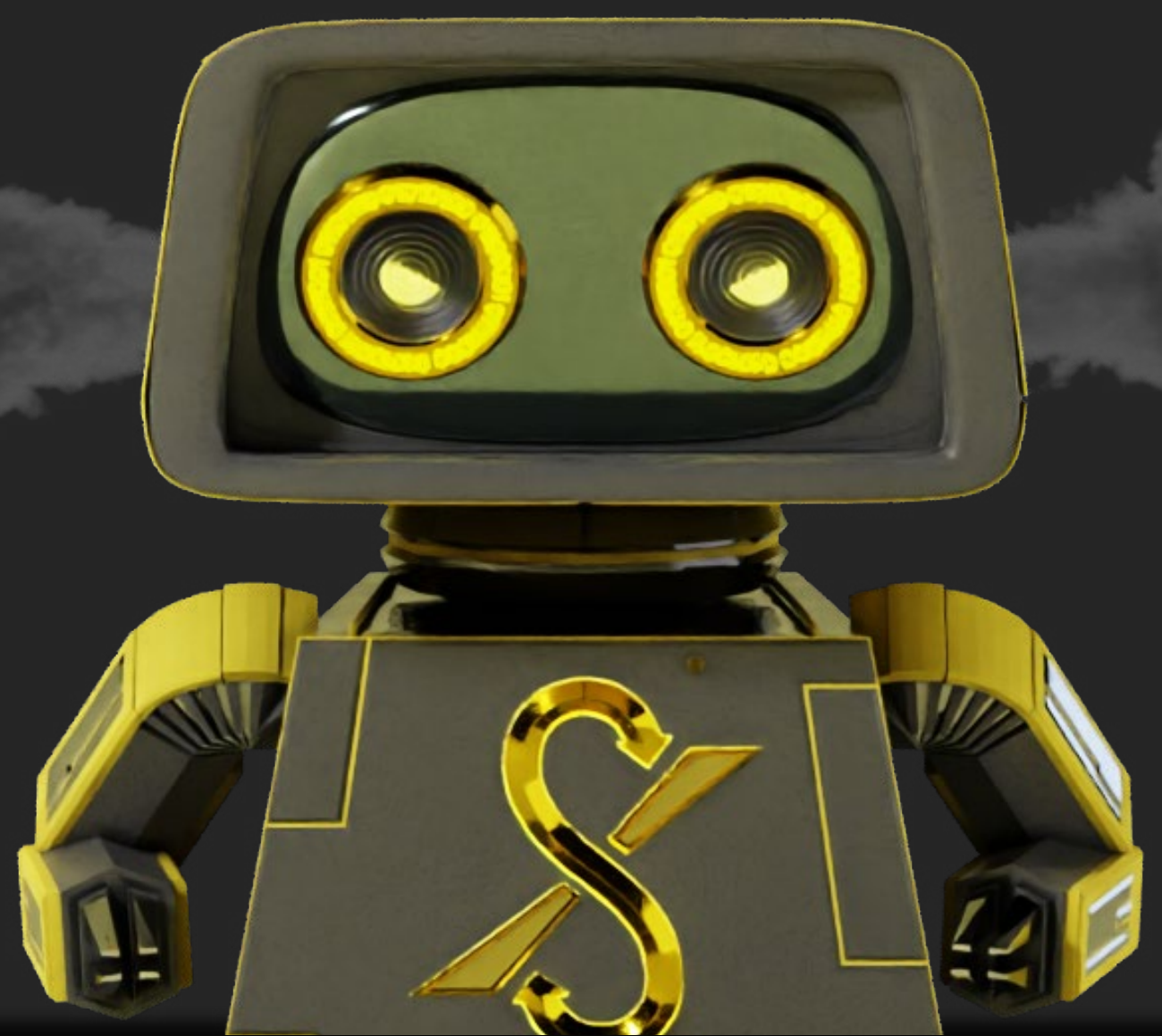
Sync-Tax Solution

Overview of the Solution

Sync-Tax is a DApp that solves the problem of crypto taxation for everyone.

It makes filing and paying your taxes quick, simple and effortless by recording your crypto transactions, calculating the taxes due, storing the funds required to pay, staking stored funds to increase their value and then securely paying the correct tax to the relevant authorities when required.

Sync-Tax starts with a user friendly crypto investing DApp, which is available on Android, iOS and the web and allows all users to access their crypto, trade digital assets, manage their portfolio and much more.

There are two key features that make Sync-Tax totally unique and they both revolve around making crypto taxes effortless.
The first is the automatic 'tax take', which skims off a small fraction of every transaction you make, puts it aside in a secure 'storage vault' and stakes these funds to increase their value, so any future tax you may have to pay is automatically covered.

The second is the secure layered blockchain architecture that the Sync-Tax DApp is built on and which enables the secure storage vaults to exist. These layers provide unique security and privacy that keep your funds safe, your records out of view and your peace of mind guaranteed.

Sync-Tax enables all users to carry on with the crypto investing they enjoy, safe in the knowledge that their tax is covered without them having to do anything about it. Then, when it comes to paying the tax, the calculations, records and payments can be sent automatically.
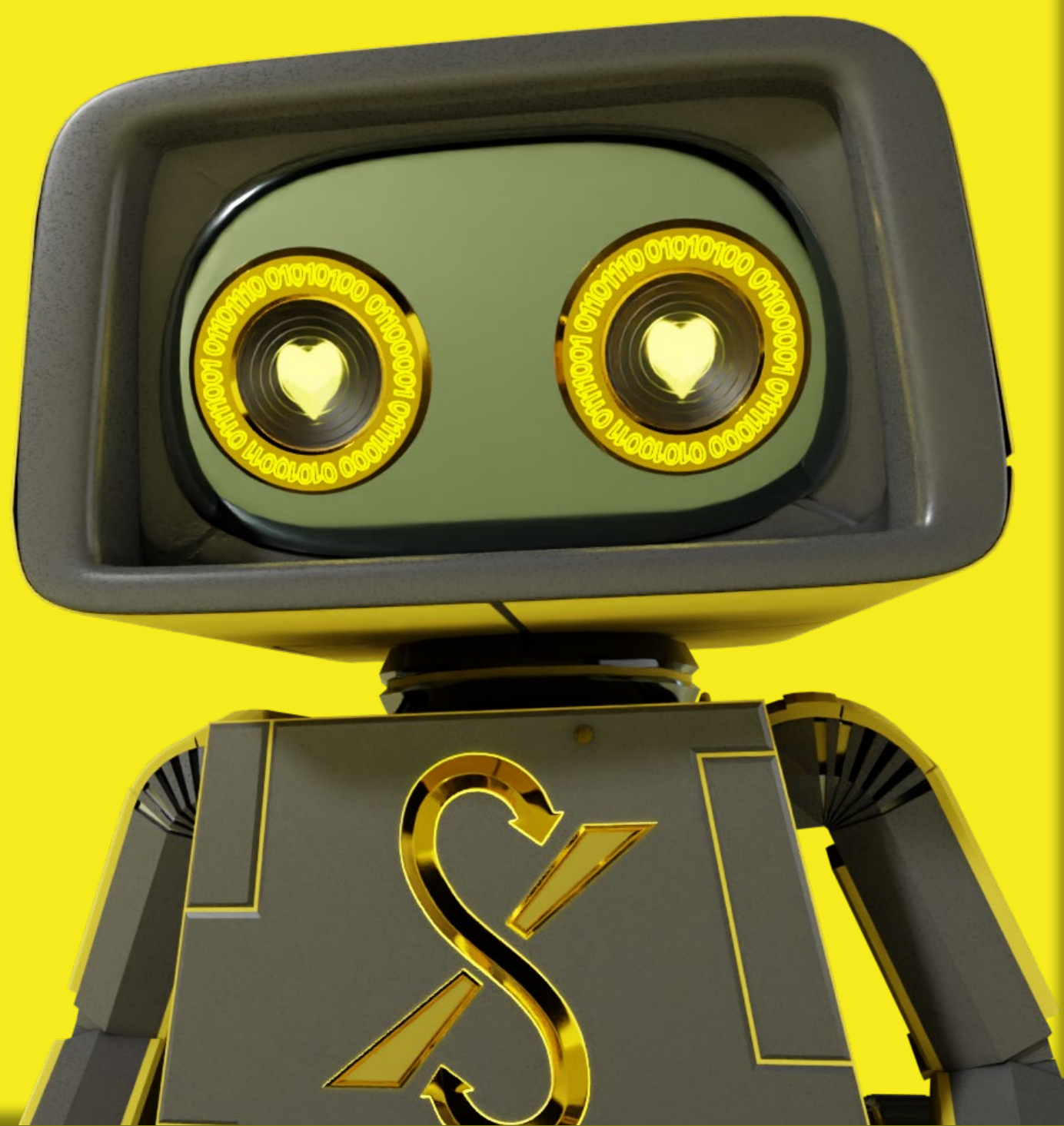
Sync-Tax Solution

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The Benefits of Sync-Tax

Sync-Tax solves the problem of crypto taxes for everyone by automating the process of calculating, saving, securing and then sending the funds required to pay any liabilities.

User: frequent, informal, high-risk trader
Problem: wants to be a trader, not a bean counter, but knows they must pay taxes.
Sync-Tax solution: doesn't have to think about taxes ever again and can get on with the trading they love! They can just set and forget, so their taxes are automatically calculated, saved and paid when they need to be.

User: ordinary investor
Problem: is wary of and confused by crypto investing and the tax liabilities it may bring.
Sync-Tax solution: finally, the peace of mind they needed so they can enter the world of crypto! From day one, they'll be reassured by the fact that they know their tax liabilities are automatically covered.

User: tax advisor
Problem: wants to help clients but doesn't understand crypto or blockchain technology.
Sync-Tax solution: no more lost clients because they don't understand crypto! Not only can they assist clients with crypto taxes, because the bookkeeping is automated, they can spend their time adding real value.

User: Government agency
Problem: finds it hard, confusing and time-consuming to interrogate crypto transactions.
Sync-Tax solution: a fast and secure way to collect crypto taxes! Instead of wasting time, energy and effort trying to collect the correct taxes, they can automatically receive reliable data and payments from anyone.
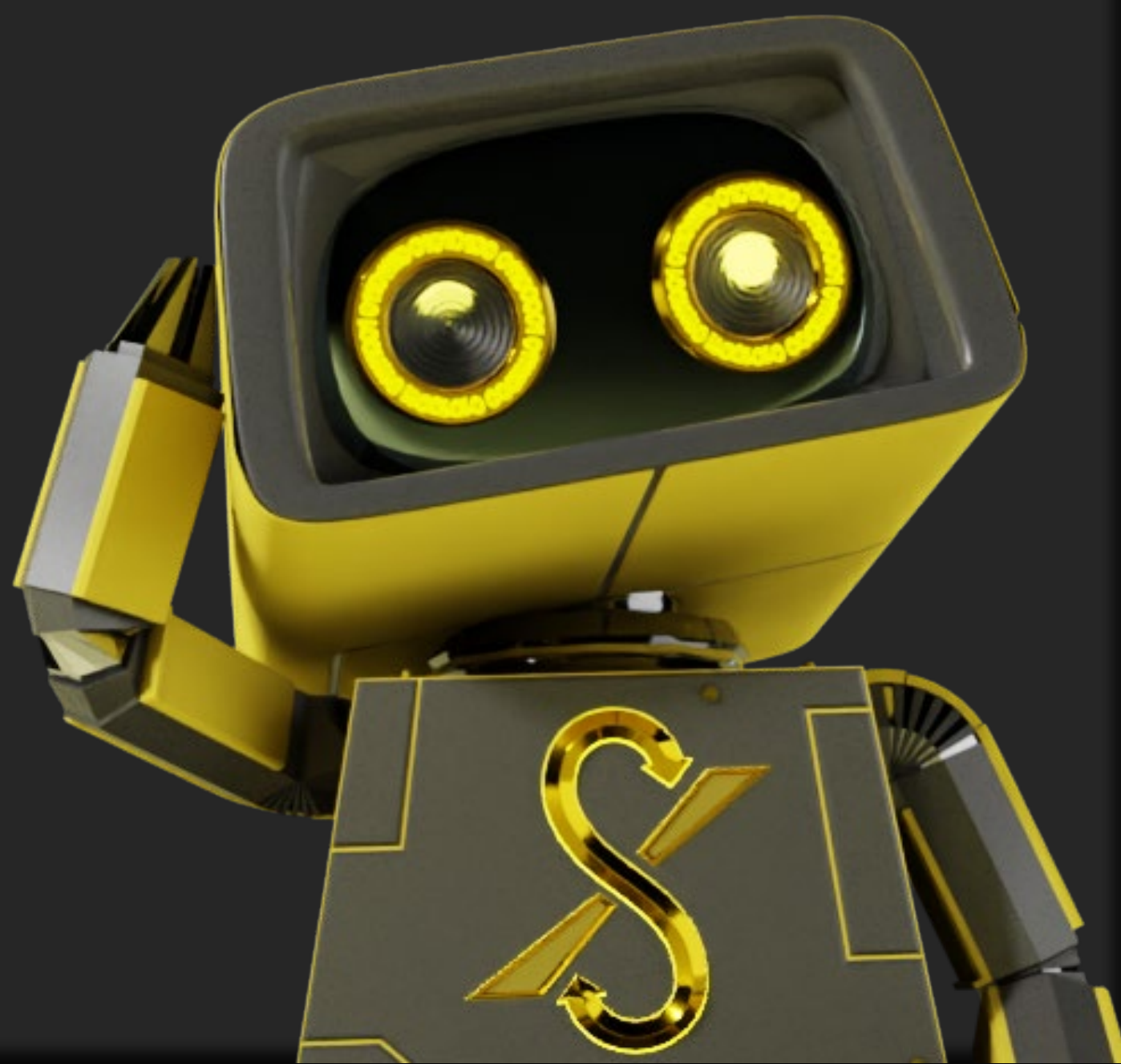
The Sync-Tax EcoSystem

5

The Sync-Tax ecosystem is designed to make crypto taxes effortless for everyone involved.

When fully operational, individual users will spend their time trading and managing their portfolio of digital assets, safe in the knowledge that their tax liabilities are automatically covered. Government agencies and tax authorities will be able to request any tax owed on this activity when necessary, finding it quick and easy to receive the payments they require and the information to back them up.

All of this is enabled by Sync-Tax's unique, layered blockchain architecture, which includes:
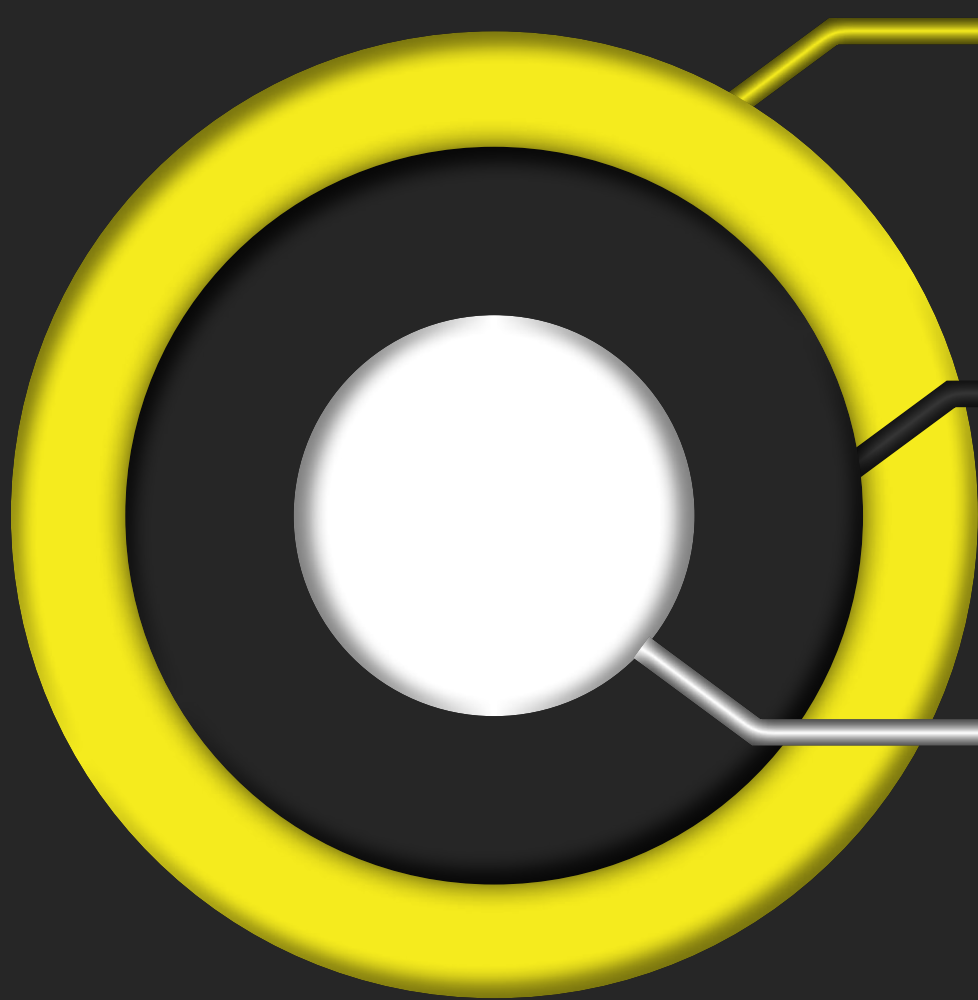
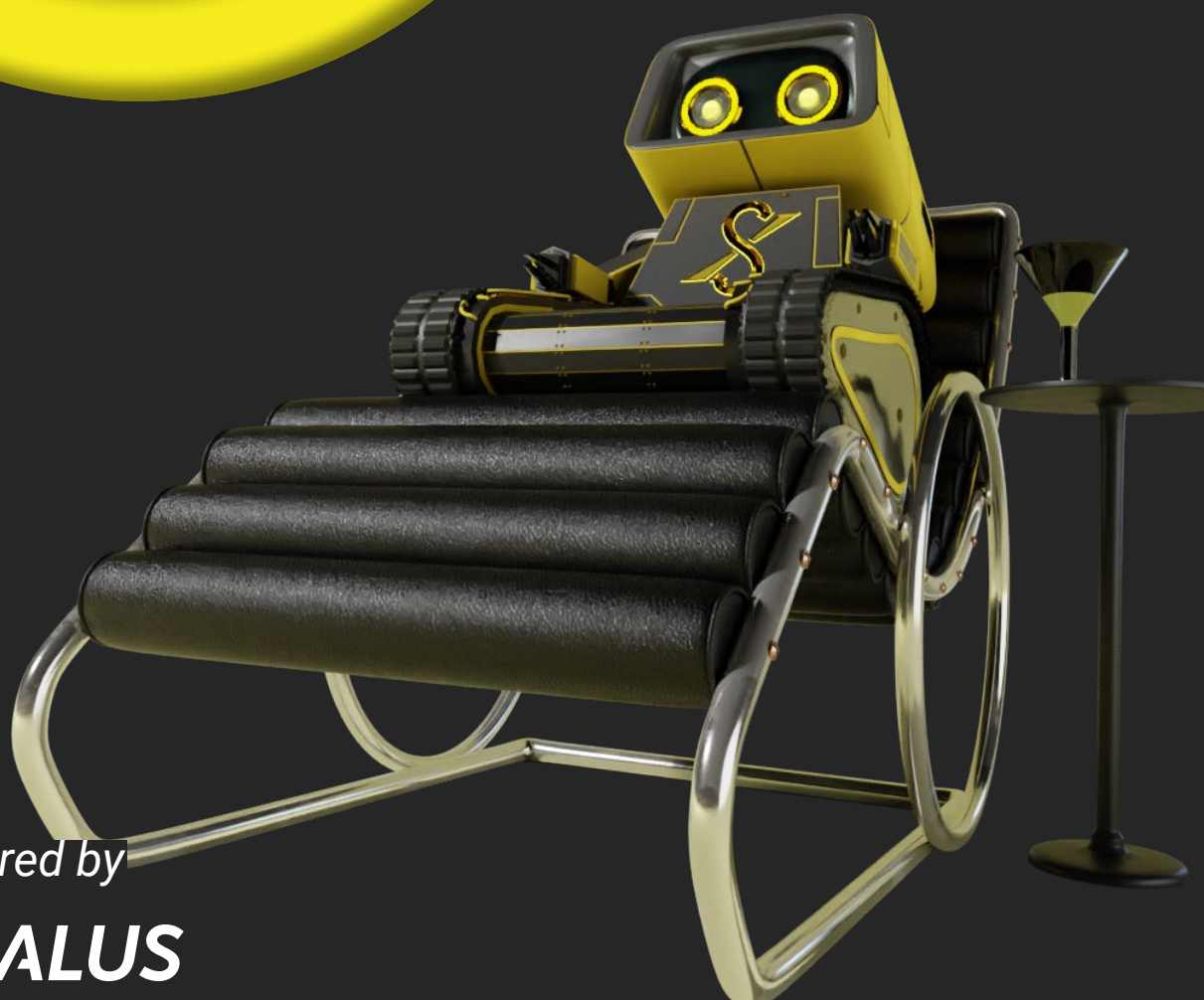### The Public Layer
Where users trade digital assets on public blockchains via the app.

The Private Layer
Where user's storage vaults are securely stored and staked.

The Government Layer
Where authorized agencies request and access the tax owed.

The Sync-Tax EcoSystem

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How Sync-Tax makes paying crypto taxes effortless.

Here is a high-level explanation of how Sync-Tax automates crypto taxes for its users:

1 Once connected to Sync-Tax, a user trades one digital asset for another.

2 An amount of 'tax take' is skimmed off the transaction and converted to USDC.

3 This USDC is sent directly to the user's storage vault and stored securely.

4 The USDC collected in the user's storage vault is staked to increase its value.

5 When it's time to pay, the correct tax is calculated and sent to the tax authorities.

The transaction journey described above has been simplified into an easy overview but you can find out more about how data and assets move between the different layers of the Sync-Tax blockchain in the next three sections (5.3, 5.4 and 5.5).

The Sync-Tax EcoSystem
Public Layer

The public layer is the first layer of the Sync-Tax blockchain.

Users can connect with this layer using their wallet as it is where most of their activity occurs.
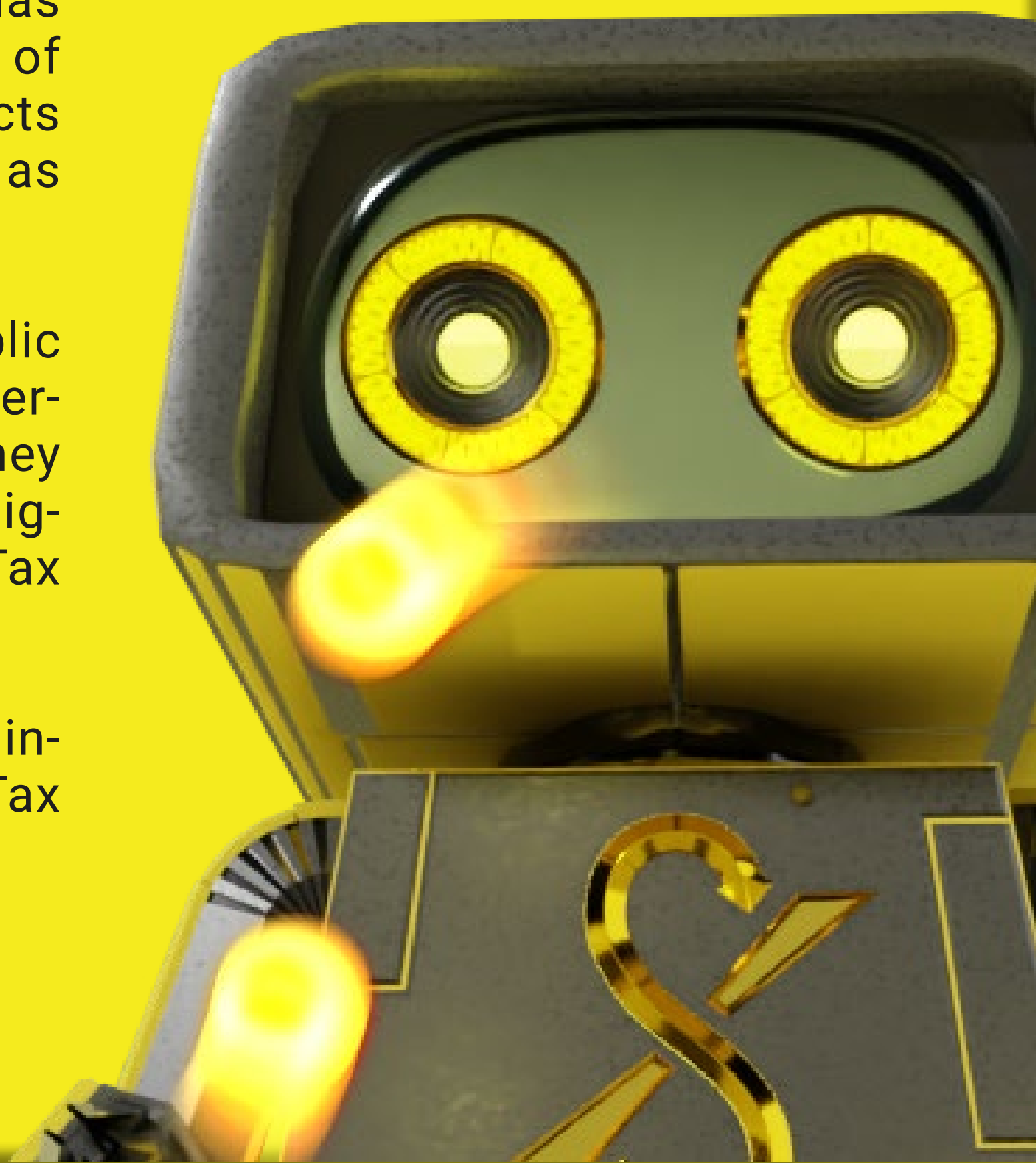
This layer is where the Sync-Tax DApp exists and where users manage their portfolio by trading cryptocurrencies, NFTs and other digital assets on public blockchains, such as Ethereum and BNB Chain.

Like these public chains, the public layer is EVM-based (Ethereum Virtual Machine-based) and has all the common functionality of an EVM chain. Smart contracts will be enabled on this layer, as per the Sync-Tax roadmap.

As mentioned, it is at the public layer that most of the user interactions occur. This is where they can trade and manage their digital assets within their Sync-Tax app.

When a trade takes place, this involves interacting with a Sync-Tax smart contract. As part of this interaction, an amount of 'tax take' is skimmed off the trade and automatically pushed to a central vault. This is the point at which the public layer (Layer 1) interacts with the private layer (Layer 2) because the storage vaults are stored securely on the private layer.

The Sync-Tax EcoSystem
Private Layer

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The private layer is the second layer of the Sync-Tax blockchain.

Users can connect to this layer using their wallet and a password. It is a non-custodial layer where their storage vault exists.

This layer is made up of proxy smart contracts that exist to manage all user storage vaults, which exist to pay any future tax liabilities. Addresses at this layer can only be accessed by connecting a wallet and entering a password. It is a privacy layer that utilizes zkSc technology to keep user data secure.

When a user makes a trade in the Sync-Tax app and a 'tax take' is skimmed off the transaction at Layer 1, this amount is automatically converted into USDC and transferred to a secure storage vault on the private Layer 2. In addition to this 'tax take', the record of the transaction is also pulled up from Layer 1 into Layer 2. A log of all transactions remains in the DApp permanently, which only the user can see.

It is possible to transfer amounts between accounts at Layer 2 but for a user to do this they would need to know another user's specific Layer 2 account, as nothing at this layer is made public.

The private layer contains the USDC storage vaults for each individual user alongside all of the logs that record the user's trading activity. It is a transactional layer, made up of proxy contracts, which automate the taxation process by using the logs to calculate the tax owed and the vaults to fund any payments.

When it comes to actually making the payment to the tax authorities, you can either take your tax information from Layer 2 and do it yourself or engage the government layer (Layer 3) to automatically pay your taxes in one click.
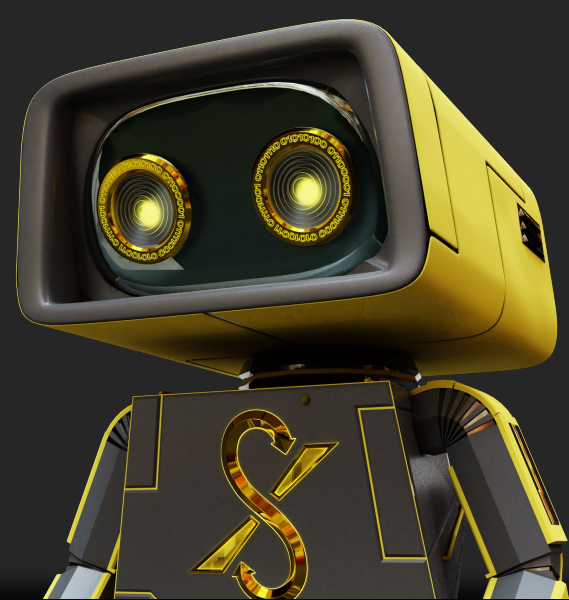
The Sync-Tax EcoSystem
Government Layer

5

The government layer is the third layer of the Sync-Tax blockchain.

Ordinary users cannot access this layer. It is highly secure and only used to automate payments to the tax authorities.

The deepest and least accessible layer of the Sync-Tax blockchain exists so that government tax authorities can receive the information they need regarding the tax owed by users and then automatically receive the corresponding payment.

This third layer of the Sync-Tax blockchain is not accessible to ordinary users. It is designed purely so that tax calculations and payments can be made to the relevant bodies. For further details regarding the tech specifications of Layer 3, please consult the Sync-Tax roadmap.

This process occurs when it comes time for an individual to pay the tax they owe. As the logs of a user's transactions are held at the private layer 2, this data shows which transactions result-ed in profits or losses and can be used to calculate what tax needs to be paid.

Users can choose to download a prepared ledger from Layer 2 to file themselves or they can push their data up to Layer 3 and securely file their taxes in one click. When the user's transaction logs and tax funds are pushed up to Layer 3, they are totally inaccessible to them and are only pushed to this layer to be transferred directly to the relevant tax authority.

In this way, user funds move through the different layers of the Sync-Tax blockchain, first for secure storage and then to enable automatic payment of any taxes owed.

Sync-Tax DApp

The Sync-Tax DApp is the interface through which every user interacts with the Sync-Tax blockchain to effortlessly pay any crypto taxes they owe.

It is available on Android, iOS and the web, and allows all users to access their crypto, trade digital assets and manage their portfolio. As they do, the Sync-Tax DApp works to record these transactions, calculate their profit and loss and securely save an amount that can cover any tax liabilities the user's trading activity might incur.

The following sections describe the most important user journeys within the Sync-Tax DApp.

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Sync-Tax DApp

6

1 Download and access the DApp

The Sync-Tax DApp is available on Android, iOS and the web. Once downloaded, simply open the DApp to start the onboarding process.

2 Connect a wallet

To use Sync-Tax, you need to connect a crypto wallet. You can connect an existing wallet, such as MetaMask or Trust Wallet. You can also connect multiple wallets. If you do not have a wallet already, you will be able to create a new wallet in the DApp.

Once you connect a wallet, this enables the Sync-Tax DApp to import and validate transactions on the blockchain.

3 Set your tax information

Once you've connected a wallet, you will be asked to set your tax information, as this will be used to determine the 'tax take' that is skimmed off every transaction and saved for any future tax liabilities.

To do this, you need to choose your:
Country, State or City, Tax percentage.

Once you've completed these steps, you must read and agree to the legal information regarding your use of the Sync-Tax DApp. Then, you'll be ready to go.

Sync-Tax DApp
Portfolio Management

6

Once you've signed up, connected your wallet and agreed to the legals, you will see your Sync-Tax dashboard showing what has been imported.

1 **Tokens**

The Sync-Tax DApp does not automatically import all tokens from the wallets you're connected to so that you don't have to see tiny 'dust' amounts of tokens that you aren't interested in. Instead, you can pull in the tokens you want to see and then you'll see an overall value for these tokens across all your wallet addresses.

2 **NFTs**

Just as with tokens, you will need to choose which ones you want to import and view within the Sync-Tax DApp. Once you do, they are available to trade directly from within it.

3 **Nodes**

Users can buy and activate nodes that make up the blockchain infrastructure of the Sync-Tax network. This will enable them to run staking validators and receive SYNX coins for doing so.

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Sync-Tax DApp
Swapping Tokens

6

When you use Sync-Tax to trade digital assets, you know that any potential tax liabilities that may occur as a result are automatically covered.

For every transaction, Sync-Tax takes a small amount of your funds - known as the 'tax take' - and stores it in a secure storage vault for you. When it comes time to pay your taxes, Sync-Tax automatically calculates what you owe so you can use the funds in your storage vault to pay it.

1 Choose your token swap

In the Sync-Tax DApp, you choose which tokens to swap. First you choose the token you have and the amount you want to trade. Then you choose the token you want to receive.

2 Choose your wallet

As you can connect multiple wallets to your Sync-Tax DApp, you need to choose the wallet you want to trade tokens to and from.

3 Confirm your 'tax take' percentage

Although you set your tax percentage during the initial sign up process, you can choose to change this amount for each transaction. Therefore the final stage is to change or confirm the tax percentage.

Sync-Tax DApp
Storage Vaults

6

Our unique storage vaults enable you to pay your crypto taxes effortlessly by securely storing funds for future tax liabilities.

When it comes time to pay, Sync-Tax can automatically calculate what you owe. You can choose to take your tax information in the form of a CSV ledger or use it to automatically pay your taxes in one click.

When the 'tax take' is skimmed off a transaction, it is automatically converted into the USDC stablecoin, pushed into your storage vault and kept securely at Sync-Tax's private Layer 2.

Logs

The logs provide a chronological record of all your wins and losses, based on transactions you have made. By accessing the logs, you can see a predictive summary of how much tax you are likely to pay and use this to decide whether to adjust the tax percentage on any future transactions you make.

Staking

In order to increase the funds you have saved for tax, the USDC in your storage vault is staked in Circle's USDC pools. 10% of the staking APY is allocated back to the user, so the storage vault can just be used as a simple savings vault. While Circle is an established stablecoin issuer, you should make yourself aware of the risks.

Total Vault

Within the logs, you will see your total vault, which is the amount of funds you have saved so far for any future tax liabilities you may have to pay.

Profits

This section of the logs shows all the profits you have made from previous transactions, which are likely to result in some future tax liabilities.

Losses

This section of the logs shows all the losses you have made from previous transactions, which are unlikely to result in future tax liabilities.

Blockchain Foundations

Principles

Secure. Automated. Simple.

At Sync-Tax, we believe in the power of blockchain to transform how we all do our taxes.

Harnessing secure, decentralized and transparent digital ledgers in conjunction with efficient and automated smart contracts, we put re-al-time data in the hands of users so they are in full control of paying their crypto taxes and can do so effortlessly.

By tackling today's complex, confusing and time-consuming crypto taxes, we aim to establish a new blockchain-based foundation for ac-curate, automated and accessible accounting tomorrow.

Technologies

The following section describes some of the main blockchain technologies used to achieve this.

Token swaps

Once you have connected your wallet to the Sync-Tax DApp and are using it to swap tokens, you will be interacting with the Sync-Tax smart contract to execute the swap. Our token swap contract is an aggrega-tor swap, so you are getting the most efficient swap path.

The Sync-Tax swap contract also enables us to skim the 'tax take' from every transaction, in line with the tax percentage you have cho-sen. So, as an example, if you wanted to swap 1,000 USDT for DAI (assuming these tokens were valued 1-to-1) and your tax percentage was set to 10%, you would receive 90 DAI and see 10 DAI automati-cally converted to USDC and sent to your storage vault.

Blockchain Foundations

Technologies ^{Cont}

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Vaults

The storage vaults are all denominated in USDC because the 'tax take' from every transaction is automatically converted to this before being sent directly to the secure storage. Although each user will be able to see their individual storage vault amount, their funds will be held in a single USDC vault contract.

Staking

The USDC vault contract that holds users' funds is staked in one of many pools. All users need to be aware that returns from staking are variable and there is always a risk involved in staking that may result in funds being lost.

Tax payments

As users' saved tax funds are held in the USDC vault and staked in in a pool, we also keep a reserve amount available for withdrawal to make any tax payments that will need to be made in the short-term. For any funds held in a storage vault that are not required for tax payments, the user can choose to keep this amount in the vault or return it to their wallet.

Nodes

Nodes in the Sync-Tax network are used to validate transactions and are similar to those used in the Gala network. There will be 100,000 nodes in total and they will be the channel through which SYNX coins are distributed. This distribution will occur at a consistent rate, following a 10% reverse bonding curve, so that a node's productivity reduces by 10% every year.

Tokenomics

The SYNX coin has a maximum supply of 1,000,000,000 coins, which will be distributed through the node infrastructure over a 10 year period and follow a 10% reverse bonding curve. This will result in a node's productivity reducing by 10% every year.

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Ownership of Sync-Tax

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Sync-Tax is run by an experienced and extremely talented team. Comprised of some of the best marketers, developers and blockchain figureheads the space has to offer.

Boasting the founding and development of billion dollar meme tokens, Binance sponsored projects and mainstream media/telecoms marketing under their belts, the team brings the expertise and experience necessary for all SYNX's security centric blockchain needs.

• Former co-founder, CMO and CCO from "Shibnobi".

• Former CHRO and customer relations team from "Shibnobi".

• Co-founder and "on chain" security specialists from "SALUS Securities".

• Development team with the vast blockchain expertise necessary for working on both SYNX's and Ethereum foundation's development.