Cryptocurrency
Tax Implications Factsheet

KEYPOINT
ACCOUNTANTS & ADVISORS

Bitcoin, Ethereum, Dogecoin, and the list goes on! Cryptocurrency has been around for years, and in the last 5 years has become increasingly popular with investors. The cryptocurrency market can be volatile, but it is still possible to make significant sums of money from these investments.

If you're considering getting into crypto-currencies, or are already involved, you need to understand the tax implications of trading and investing in these new digital products.

1. What is Crypto Investing?

Cryptocurrency (crypto) investing involves purchasing and holding cryptocurrency for long term growth.

2. What is Crypto Trading

Similar to share trading, crypto trading involves purchasing and holding crypto currency, through a business, with the aim of making a profit.

3. Crypto Mining

Crypto mining is providing a service to the blockchain, by the way of verifying transactions. This is often done using a computers CPU to solve mathematical formulas. In return for providing this service, additional coins or tokens are issued.

4. Crypto Staking

Crypto staking is way of earning rewards (coins or tokens) by locking up cryptocurrency for a period of time. Locking cryptocurrency away is a way of validating the blockchain.

5. Crypto Chain Split

A chain split is a mistake in the blockchain, where the chain is split, and holders of the original coin may receive new coins.

6. Crypto Airdrops

Airdrops are rewards (often coins/tokens of a different cryptocurrency) for an investor for purchases a certain cryptocurrency.

7. How is Cryptocurrency classified by the ATO?

Depending on your circumstances there are two different ways the ATO will classify your cryptocurrency; personal investment or trader (business).

8. Crypto for personal investment

- Cryptocurrency are held on capital account
- Cryptocurrency is commonly classed as a Capital Gains Tax (CGT) asset
- Selling or swapping cryptocurrency will trigger a capital gains event
- Capital gains discount is available if the cryptocurrency is held for longer than 12 months
- Crypto mining rewards are assessable income when the coin/s are issued to the holder's wallet. This value is also the cost base of the new CGT asset.
- Staking rewards are assessable income when coin/s or token/s are issued to the holder's wallet. This value is also the cost base of the new CGT asset.
- Airdrops are assessable income at the time the token is issued to the holder's wallet. This value is also the cost base of the new CGT asset.
- There are no tax implications from a chain split. A new CGT asset is held with a nil cost base.
- If cryptocurrency is used to purchase a product/service, it is important to consider why the cryptocurrency was purchased to begin with. If it was purchased as an investment, it is likely the exchange (for a product/service) will trigger a CGT event.
- Any cryptocurrency gains are included in taxable income. Cryptocurrency gains can be offset using cryptocurrency losses. Any losses must be carried forward to future income years

It is important to keep good records of all your cryptocurrency dealings.

And remember, the ATO are now data matching cryptocurrency transfers and gains.

9. Crypto Trading

- Cryptocurrency are held on revenue account and classified as trading stock
- Carrying on a business of trading, mining, and exchanging cryptocurrency
- Must be undertaking business in a commercial like manner
- More guidance is required from the ATO regarding crypto trading
- We are keeping up to date with this as new information is available from the ATO and other professional bodies

Are you a business that accepts cryptocurrency as a form of payment? Contact us for more information on 07 5585 0600.