



Tax treatment of crypto-currencies in Australia - specifically bitcoin

- <https://www.ato.gov.au/General/Gen/Tax-treatment-of-crypto-currencies-in-Australia---specifically-bitcoin/>
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Tax treatment of cryptocurrencies

The term cryptocurrency is generally used to describe a digital asset in which encryption techniques are used to regulate the generation of additional units and verify transactions on a blockchain. Cryptocurrency generally operates independently of a central bank, central authority or government.

The creation, trade and use of cryptocurrency is rapidly evolving. This information is our current view of the income tax implications of common transactions involving cryptocurrency. Any reference to 'cryptocurrency' in this guidance refers to Bitcoin, or other crypto or digital currencies that have similar characteristics as Bitcoin.

If you are involved in acquiring or disposing of cryptocurrency, you need to be aware of the tax consequences. These vary depending on the nature of your circumstances.

Everybody involved in acquiring or disposing of cryptocurrency needs to keep records in relation to their cryptocurrency transactions.

If you have dealt with a foreign exchange or cryptocurrency there may also be taxation consequences for your transactions in the foreign country.

Find out about:

- [Transacting with cryptocurrency](#)
- [Cryptocurrency used in business](#)
- [Record keeping](#)
- [Additional information](#)
- [Data-matching programs](#)

See also:

- [ASIC's Money Smart website](#)⁵⁷ has some useful information on the risk involved in investing in cryptocurrencies
- [SMSF investing in cryptocurrencies](#)
- [GST and digital currency](#)

Transacting with cryptocurrency

- <https://www.ato.gov.au/General/Gen/Tax-treatment-of-crypto-currencies-in-Australia---specifically-bitcoin/?page=2>
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A capital gains tax (CGT) event occurs when you dispose of your cryptocurrency. A disposal can occur when you:

- sell or gift cryptocurrency
- trade or exchange cryptocurrency (including the disposal of one cryptocurrency for another cryptocurrency)
- convert cryptocurrency to fiat currency (a currency established by government regulation or law), such as Australian dollars, or
- use cryptocurrency to obtain goods or services.

If you make a capital gain on the disposal of cryptocurrency, some or all of the gain may be taxed. Certain capital gains or losses from disposing of a cryptocurrency that is a personal use asset are disregarded.

If the disposal is part of a business you carry on, the profits you make on disposal will be assessable as ordinary income and not as a capital gain.

While a digital wallet can contain different types of cryptocurrencies, each cryptocurrency is a separate CGT asset.

On this page:

- [Exchanging a cryptocurrency for another cryptocurrency](#)
- [Cryptocurrency as an investment](#)
- [Staking rewards and airdrops](#)
- [Personal use asset](#)
- [Loss or theft of cryptocurrency](#)
- [Chain splits](#)

See also:

- [Cryptocurrency used in business](#)

Exchanging cryptocurrency for another cryptocurrency

If you dispose of one cryptocurrency to acquire another cryptocurrency, you dispose

of one CGT asset and acquire another CGT asset. Because you receive property instead of money in return for your cryptocurrency, the market value of the cryptocurrency you receive needs to be accounted for in Australian dollars.

If the cryptocurrency you received can't be valued, the capital proceeds from the disposal are worked out using the market value of the cryptocurrency you disposed of at the time of the transaction.

See also:

- [Record keeping](#)
- [Capital proceeds](#)
- [Guide to capital gains tax](#)
- [CGT assets and exemptions](#)

Example 1

On 5 July 2017, Katrina acquired 100 Coin A for \$15,000. On 15 November 2017, through a reputable digital currency exchange, Katrina exchanged 20 of Coin A for 100 of Coin B.

Using the exchange rates on the reputable digital currency exchange at the time of the transaction, the market value of 100 Coin B was \$6,000. For the purposes of working out Katrina's capital gain for her disposal of Coin A, her capital proceeds are \$6,000.

Cryptocurrency as an investment

If you acquire cryptocurrency as an investment, you may have to pay tax on any capital gain you make on disposal of the cryptocurrency.

You will make a capital gain if the capital proceeds from the disposal of the cryptocurrency are more than its cost base. Even if the market value of your cryptocurrency changes, you do not make a capital gain or loss until you dispose of it.

If you hold the cryptocurrency as an investment, you will not be entitled to the personal use asset exemption. However, if you hold your cryptocurrency as an investment for 12 months or more, you may be entitled to the CGT discount to reduce a capital gain you make when you dispose of it.

If you have a net capital loss, you can use it to reduce a capital gain you make in a later year. You can't deduct a net capital loss from your other income.

You must keep records of each cryptocurrency transaction to work out whether you have made a capital gain or loss from each CGT event.

Example 2

Terry has been a long-term investor in shares and has a range of holdings in various public companies in a balanced portfolio of high and low risk investments. Some of his holdings are income producing and some are not. He adjusts his portfolio frequently at the advice of his adviser.

Recently, Terry's adviser told him that he should invest in cryptocurrency. On that advice, Terry purchased a number of different cryptocurrencies which he has added to his portfolio. Terry doesn't know much about cryptocurrency but, as with all of his investments, he adjusts his portfolio from time to time in accordance with appropriate investment weightings.

If Terry sells some of his cryptocurrency, the proceeds would be subject to CGT because he has acquired and held his cryptocurrency as an investment.

See also:

- [The discount method of calculating your capital gain](#)
- [Capital gains tax](#)

Staking rewards and airdrops

Proof of Stake is a form of 'consensus mechanism' that requires forgers (similar to miners) to hold units of a cryptocurrency so they can validate transactions and create new blocks. Forgers participate in consensus by staking their existing tokens.

A forger who is selected to forge a new block is rewarded with additional tokens when the new block has been created. The additional tokens are received from holding the original tokens. The money value of those additional tokens is ordinary income of the forger at the time they are derived.

Other consensus mechanisms that reward existing token holders for their role in maintaining the network will have the same tax outcomes. This would include rewards derived through Proof of Authority and Proof of Credit mechanisms by Validators, Agent Nodes, Guardian Nodes, Premium Stakers and other entities performing comparable roles.

Token holders who participate in 'proxy staking' or who vote their tokens in delegated consensus mechanisms, and receive a reward by doing so, also derive ordinary income equal to the money value of the tokens they receive.

Some projects 'airdrop' new tokens to existing token holders as a way of increasing the supply of tokens (for example, Pundi X and Tron). The money value of an established token received through an airdrop is ordinary income of the recipient at the time it is derived.

Example 1

Anastasia holds 50,000 NULS tokens, which she stakes to a NULS pool as a premium staker. Anastasia receives additional NULS tokens when her pool participates in consensus, including a small payment of tokens from the node leader for supporting their node.

The money value of the additional NULS tokens Anastasia receives is assessable income of Anastasia at the time the tokens are derived.

The cost base of Anastasia's additional NULS tokens will be their market value at the time they were derived.

Example 2

Merindah has held TRX tokens since December 2018, entitling her to receive monthly BTT airdrops from February 2019.

The money value of the BTT tokens Merindah receives as a result of holding her TRX tokens is assessable income of Merindah at the time the tokens are derived.

The cost base of Merindah's airdropped BTT tokens will be their market value at the time they were derived.

Personal use asset

Some capital gains or losses that arise from the disposal of a cryptocurrency that is a personal use asset may be disregarded.

Cryptocurrency is a personal use asset if it is kept or used mainly to purchase items for personal use or consumption.

Cryptocurrency is not a personal use asset if it is kept or used mainly:

- as an investment
- in a profit-making scheme, or
- in the course of carrying on a business.

Where cryptocurrency is acquired and used within a short period of time, to acquire items for personal use or consumption, the cryptocurrency is more likely to be a personal use asset.

However, where the cryptocurrency is acquired and held for some time before any such transactions are made, or only a small proportion of the cryptocurrency acquired is used to make such transactions, it is less likely that the cryptocurrency is a personal use asset. In those situations the cryptocurrency is more likely to be held for some other purpose.

Except in rare situations, the cryptocurrency will not be a personal use asset:

- when you have to exchange your cryptocurrency to Australian dollars (or to a different cryptocurrency) to purchase items for personal use or consumption, or
- if you have to use a payment gateway or other bill payment intermediary to purchase or acquire the items on your behalf (rather than purchasing or acquiring directly with your cryptocurrency).

The relevant time for working out if an asset is a personal use asset is at the time of its disposal.

During a period of ownership, the way that cryptocurrency is kept or used may change (for example, cryptocurrency may originally be acquired for personal use and enjoyment, but ultimately kept or used as an investment, to make a profit on ultimate disposal or as part of carrying on a business). The longer a cryptocurrency is held, the less likely it is that it will be a personal use asset – even if you ultimately use it to purchase items for personal use or consumption.

Only capital gains you make from personal use assets acquired for less than \$10,000 are disregarded for CGT purposes. However, all capital losses you make on personal use assets are disregarded.

Example 1

Michael wants to attend a concert. The concert provider offers discounted ticket prices for payments made in cryptocurrency. Michael pays \$270 to acquire cryptocurrency and uses the cryptocurrency to pay for the tickets on the same day. Under the circumstances in which Michael acquired and used the cryptocurrency, the cryptocurrency is a personal use asset.

Example 2

Peter has been regularly keeping cryptocurrency for over six months with the intention of selling at a favourable exchange rate. He has decided to buy some goods and services directly with some of his cryptocurrency. Because Peter used the cryptocurrency as an investment, the cryptocurrency is not a personal use asset.

Example 3

Josh pays \$50 to acquire cryptocurrency each fortnight. During each of the same fortnights, he uses the cryptocurrency to enter directly into transactions to acquire computer games. Josh does not hold any other cryptocurrency.

In one fortnight, Josh identifies a computer game that he wishes to acquire from an online retailer that doesn't accept the cryptocurrency. Josh uses an online payment gateway to acquire the game. Under the circumstances in which Josh acquired and used the cryptocurrency, the cryptocurrency (including the amount used through the online payment gateway) is a personal use asset.

See also:

- [Personal use assets](#)

Loss or theft of cryptocurrency

You may be able to claim a capital loss if you lose your cryptocurrency private key or your cryptocurrency is stolen.

In this context, the issue is likely to be whether the cryptocurrency is lost, whether you have lost evidence of your ownership, or whether you have lost access to the cryptocurrency.

Generally where an item can be replaced it is not lost. A lost private key can't be replaced. Therefore, to claim a capital loss you must be able to provide the following kinds of evidence:

- when you acquired and lost the private key
- the wallet address that the private key relates to
- the cost you incurred to acquire the lost or stolen cryptocurrency
- the amount of cryptocurrency in the wallet at the time of loss of private key
- that the wallet was controlled by you (for example, transactions linked to your identity)
- that you are in possession of the hardware that stores the wallet
- transactions to the wallet from a digital currency exchange for which you hold a verified account or is linked to your identity.

See also:

- [Elements of the cost base and reduced cost base](#)
- [The discount method of calculating your capital gain](#)

- [Record keeping](#)

Chain splits

A chain split refers to the situation where there are two or more competing versions of a blockchain. These competing versions share the same history up to the point where their core rules diverged.

On this page:

- [Cryptocurrency held as an investment](#)
- [Cryptocurrency held in a business you carry on](#)

Cryptocurrency held as an investment

If you hold cryptocurrency as an investment, and receive a new cryptocurrency as a result of a chain split (such as Bitcoin Cash being received by Bitcoin holders), you do not derive ordinary income or make a capital gain at that time as a result of receiving the new cryptocurrency.

If you hold the new cryptocurrency as an investment, you will make a capital gain when you dispose of it. When working out your capital gain, the cost base of a new cryptocurrency received as a result of a chain split is zero. If you hold the new cryptocurrency as an investment for 12 months or more, you may be entitled to the CGT discount.

Example 1

Alex held 10 Bitcoin on 1 August 2017 as an investment, when Bitcoin Cash split from Bitcoin. Immediately after the chain split, Alex held 10 Bitcoin and 10 Bitcoin Cash. Alex does not derive ordinary income or make a capital gain as a result of the receipt.

On 25 May 2018, Alex sold the 10 Bitcoin Cash for \$4,000. Because the cost base of the Bitcoin Cash was zero, Alex makes a total capital gain of \$4,000 in the 2017–18 income year from the sale of the Bitcoin Cash.

Working out which cryptocurrency is the new asset received as a result of a chain split requires examination of the rights and relationships existing in each cryptocurrency you hold following the chain split. If one of the cryptocurrencies you hold as a result of the chain split has the same rights and relationships as the original cryptocurrency you held, then it will be a continuation of the original asset. The other cryptocurrency you hold as a result of the chain split will be a new asset.

Example 2

Bree held 60 Ether as an investment just before the chain split on 20 July

2016. Following the chain split, Bree held 60 Ether and 60 Ether Classic. The chain split resulted from a protocol change that invalidated the holding rights attached to approximately 12 million pre-split Ether.

Ether Classic exists on the original blockchain, which rejected the protocol change and continued to recognise all of the holding rights that existed just before the chain split. Ether Classic is the continuation of the original asset. The Ether that Bree received as a result of the chain split is her new asset. The acquisition date of Bree's post-split Ether is 20 July 2016.

Where none of the cryptocurrencies you hold following the chain split has the same rights and relationships as the original cryptocurrency you held, then the original asset may no longer exist. CGT event C2 will happen for the original asset. In that case, each of the cryptocurrencies you hold as a result of the chain split will be acquired at the time of the chain split with a cost base of zero.

Example 3

Ming held 10 Bitcoin Cash as an investment just before the chain split on 15 November 2018. Ming had acquired the Bitcoin Cash on 6 April 2018 with a cost base of \$8,300. Following the chain split, Ming held 10 Bitcoin Cash ABC and 10 Bitcoin Cash SV. Both projects involved changes to the core consensus rules of the original Bitcoin Cash protocol.

Neither project exists on the original blockchain. Miners using the pre-fork software would not find blocks on either the ABC or SV chains. Neither of the post-split assets is the continuation of the original asset. The community abandoned the original asset at the time of the chain split. CGT event C2 happened to Ming's original Bitcoin Cash on 15 November 2018. Ming calculates a capital loss of \$8,300, which is equal to the cost base of his original asset.

Ming's Bitcoin Cash ABC and Bitcoin Cash SV both have an acquisition date of 15 November 2018 and a cost base of zero.

Cryptocurrency held in a business you carry on

A new cryptocurrency you receive as a result of a chain split in relation to cryptocurrency held in a business you carry on will be treated as trading stock where it is held for sale or exchange in the ordinary course of the business. The new cryptocurrency must be brought to account at the end of the income year.

Find out about:

- [Cryptocurrency used in business](#)

Cryptocurrency used in business

- <https://www.ato.gov.au/General/Gen/Tax-treatment-of-crypto-currencies-in-Australia---specifically-bitcoin/?page=3>
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If you are carrying on a business that involves transacting with cryptocurrency the trading stock rules apply, rather than the CGT rules.

On this page:

- [Cryptocurrency businesses](#)
- [Using cryptocurrency for business transactions](#)
- [Isolated profit-making business or commercial transactions](#)
- [Paying salary or wages in cryptocurrency](#)
- [Receipt of cryptocurrency for services provided](#)

Cryptocurrency businesses

If you hold cryptocurrency for sale or exchange in the ordinary course of your business the trading stock rules apply, and not the CGT rules. Proceeds from the sale of cryptocurrency held as trading stock in a business are ordinary income, and the cost of acquiring cryptocurrency held as trading stock is deductible.

Examples of businesses that involve cryptocurrency include:

- cryptocurrency trading businesses
- cryptocurrency mining businesses
- cryptocurrency exchange businesses (including ATMs).

Not all people acquiring and disposing of cryptocurrency will be carrying on businesses. To be carrying on business, you will usually:

- carry on your activity for commercial reasons and in a commercially viable way
- undertake activities in a business-like manner – this would typically include preparing a business plan and acquiring capital assets or inventory in line with the business plan
- prepare accounting records and market a business name or product
- intend to make a profit or genuinely believe you will make a profit, even if you are unlikely to do so in the short term.

There is also usually repetition and regularity to your business activities, although one-off transactions can amount to a business in some cases.

Whether you are carrying on a business and when the business commences are important pieces of information. If you're still setting up or preparing to go into business, you might not yet have started the business.

Money received (or property received) prior to a business being carried on is not generally assessable income. Likewise, you can't claim deductions incurred prior to the business being carried on.

Example 1

Sachin is in the business of trading cryptocurrency. On 15 December 2017, he purchases 1,500 Coin A for \$150,000. On the same day, he sells 1,000 Coin A for \$200,000. As Sachin holds the cryptocurrency for sale or exchange in the ordinary course of his business, Sachin can claim a deduction for \$150,000 for the acquisition for Coin A and declares income of \$200,000 for the later sale of Coin A.

See also:

- [Are you in business?](#)
- [TR 97/11](#) *Income tax: am I carrying on a business of primary production?*
- [Simplified trading stock rules](#)
- [Small business entity concessions](#)
- [Income and deductions for businesses](#)
- [TR 92/3](#) *Income tax: whether profits on isolated transactions are income*
- [Mining cryptocurrency](#)[↗]

Using cryptocurrency for business transactions

If you are carrying on a business that is not a cryptocurrency business, but use cryptocurrency in your activities you need to account for cryptocurrency as you would for other assets or items used in your business.

If you receive cryptocurrency for goods or services you provide as part of your business, you need to include the value of the cryptocurrency in Australian dollars as part of your ordinary income. This is the same process as receiving any other non-cash consideration under a barter transaction.

One way of determining the value in Australian dollars is the fair market value which can be obtained from a reputable cryptocurrency exchange.

Where you purchase business items using cryptocurrency (including trading stock) you are entitled to a deduction based on the market value of the item acquired.

See also:

- [IT 2668](#) *Income tax: barter and countertrade transaction*

Isolated profit-making business or commercial transactions

If you invest in cryptocurrency with simply the hope that it increases in value, any gain you make from disposal will be treated as a capital gain.

However, there can be situations where an isolated cryptocurrency transaction or series of transactions can give rise to ordinary income if:

- you entered into the transaction with a purpose or intention of making a profit, and
- the transaction is part of a business operation or commercial in character.

Relevant considerations for working out whether a transaction has such a character, include:

- the nature of the entity undertaking the transaction
- the nature and scale of other activities undertaken by the entity
- the amount of money involved and the scale of the profit sought or obtained
- the nature, scale and complexity of the transaction
- the length of time over which the transaction occurs
- whether the property, in this case the cryptocurrency, had any other use other than as an object of trade (for example, is it used as a medium of exchange or to buy services only available on the blockchain?)

Whether there is the necessary profit-making intention and business or commercial character of the transaction will depend on the particular facts and circumstances of each case.

Example 1

CPU Pty Ltd runs a computer retailing business. Kyrib owns the company and manages the business. Kyrib has spent a lot of time researching cryptocurrencies and has identified an arbitrage opportunity involving multiple cryptocurrency pairs.

Kyrib has also developed strategies to reduce the risk of losses, including fast response programs to adjust for events occurring during the series of transactions and offsetting option arrangements.

To maximise the profits from the transactions, Kyrib causes CPU Pty Ltd to spend \$500,000 to acquire Coin B. Back-to-back transactions are then undertaken on the same day, resulting in a net profit of \$20,000.

The net profit is ordinary income of CPU Pty Ltd as the transactions have a business or commercial character and were entered into with a purpose of making a profit.

See also:

- [TR 92/3](#) Income tax: whether profits on isolated transactions are income

Paying salary or wages in cryptocurrency

Where an employee has a valid salary sacrifice arrangement with their employer to receive cryptocurrency as remuneration instead of Australian dollars, the payment of the cryptocurrency is a fringe benefit and the employer is subject to the provisions of the *Fringe Benefits Tax Assessment Act 1986*.

The benefit will be a property benefit whose value is established at the time of provision of the benefit.

In the absence of a valid salary sacrifice agreement, the employee is considered to have derived their normal salary or wages and the employer will need to meet their pay as you go (PAYG) obligations on the Australian dollar value of the cryptocurrency it pays to the employee. An example of this is where an employee has already earned their salary or wages and then asks to be paid in cryptocurrency instead.

See also:

- [TR 2001/10](#) *Income tax: fringe benefits tax and superannuation guarantee: salary sacrifice arrangements*
- [TD 2014/28](#) *Fringe benefits tax: is the provision of bitcoin by an employer to an employee in respect of their employment a property fringe benefit for the purposes of subsection 136(1) of the Fringe Benefits Tax Assessment Act 1986?*

Receipt of cryptocurrency for services provided

Projects may reward third parties who provide services to the project with tokens. Those services could include network testing, application development or provision of specialist advice (accounting, legal, marketing, etc). The money value of these tokens is ordinary income of the recipient at the time the tokens are derived.

Example 1

Dora provides legal advice to Project ICO and receives 10,000 ICO tokens as consideration for her services. The money value of the 10,000 ICO tokens is ordinary income of Dora at the time the tokens are derived.

When Dora later sells her cryptocurrency the cost base of her tokens is their market value at the time she received them.

Find out about:

- [Record keeping for cryptocurrency](#)

Record keeping for cryptocurrency

- <https://www.ato.gov.au/General/Gen/Tax-treatment-of-crypto-currencies-in-Australia---specifically-bitcoin/?page=4>

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It is vital to keep good records for all your transactions with cryptocurrency, whether you are using cryptocurrency as an investment, for personal use or in business.

You need to keep the following records in relation to your cryptocurrency transactions:

- the date of the transactions
- the value of the cryptocurrency in Australian dollars at the time of the transaction (which can be taken from a reputable online exchange)
- what the transaction was for and who the other party was (even if it's just their cryptocurrency address).

The sorts of records you should keep include:

- receipts of purchase or transfer of cryptocurrency
- exchange records
- records of agent, accountant and legal costs
- digital wallet records and keys
- software costs related to managing your tax affairs

Keeping good records will make it easier to calculate and meet your tax obligations, and if you are in business, they will assist you to manage your cash flow and see how your business is doing.

You can use an accountant or third-party software to help meet your record-keeping obligations and working out your tax.

See also:

- [Record keeping for small business](#)
- [Record keeping for CGT](#)
- [Records you need to keep](#)

Additional information

More information on tax treatment of bitcoin and cryptocurrencies like bitcoin can be found in the Taxation Determinations below:

- [TD 2014/25](#) *Income tax: is bitcoin a 'foreign currency' for the purposes of Division 775 of the Income Tax Assessment Act 1997 (ITAA 1997)?*
- [TD 2014/26](#) *Income tax: is bitcoin a CGT asset for the purposes of subsection 108-5(1) of the Income Tax Assessment Act 1997 (ITAA 1997)?*
- [TD 2014/27](#) *Income tax: is bitcoin trading stock for the purposes of subsection 70-10(1) of the Income Tax Assessment Act 1997 (ITAA 1997)?*
- [TD 2014/28](#) *Fringe benefits tax: is the provision of bitcoin by an employer to an employee in respect of their employment a property fringe benefit for the purposes of subsection 136(1) of the Fringe Benefits Tax Assessment Act 1986?*

Additional information from ASIC and AUSTRAC may be useful for anyone looking to invest or transact in cryptocurrencies:

- [ASIC's Money Smart website](#)⁵⁷ has some useful information on the risk involved in investing in cryptocurrencies.
- AUSTRAC's website also has useful information on implementing amendments contained in the *Anti-Money Laundering and Counter-Terrorism Financing Amendment Act 2017* released for public consultation.

Our commitment to you

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If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

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