



Cryptocurrency – investment or personal use asset

We treat cryptocurrency like shares and many other investments, so it is generally regarded as a capital gains tax (CGT) asset.

A CGT event occurs when disposing of cryptocurrency. Events can include selling cryptocurrency for a fiat currency, exchanging one cryptocurrency for another, gifting it, trading it or using it to pay for goods or services.

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Investing in cryptocurrency

Most people hold cryptocurrency as an investment, which they hope grows in value over time to give them capital gains.

Each cryptocurrency is a separate asset for CGT purposes. When your client disposes of one cryptocurrency to acquire another, they are disposing of one CGT asset and acquiring another CGT asset.

If your client holds cryptocurrency for 12 months or more, they may be entitled to a 50% CGT discount to reduce any capital gains made when they dispose of it.

Mining or trading cryptocurrency

When people refer to themselves as a cryptocurrency trader, they are most probably an investor. Examples of businesses that involve cryptocurrency include trading and mining businesses.

For your client to be carrying on business, consider:

- the nature and purpose of their activities
- the repetition, volume and regularity of their activities
- whether they have a business plan and their activities are organised in a business-like way.

If they are in business, the trading stock rules apply, rather than the CGT rules. If the disposal of cryptocurrency is part of their business, then:

- the cost of acquiring cryptocurrency held as trading stock is deductible
- profits made are assessable as ordinary income, not as a capital gain.

Cryptocurrency as a personal use asset

Personal use assets are CGT assets that your clients keep mainly for their personal use or enjoyment.

Some capital gains or losses from disposing cryptocurrency that is a personal use asset may be disregarded.

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

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

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

The way a cryptocurrency is kept or used may change. For example, it may have been acquired for personal use and enjoyment, but ultimately kept or used as an investment to make a profit on when disposed or as part of carrying on a business.

The longer it is held, the less likely it will be a personal use asset – even if your client ultimately use it for personal use or consumption.

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

Questions to ask

To help decide if your clients are investing, mining or using cryptocurrency as a personal use asset, you can ask you clients:

- How did they receive the cryptocurrency?
- When did they receive it?
- Why are they holding it?
- How long will they keep it?
- What will they do with it?
- Did they receive any income from it, for example, airdrops and staking rewards?
- How much is it worth in Australian dollars?
- When did they sell or dispose of it?

Avoid errors

- Deduct capital losses in the same year they occurred. Carry forward net capital losses to later income years to offset future capital gains.
- When transferring cryptocurrency from one wallet to another, it is not considered a CGT disposal if ownership of the coin is maintained.
- Get the cost base right by including things like brokerage fees, transfer costs, platform costs, borrowing expenses, interest on loans and legal fees.
- Keep records – your client needs
 - receipts and details of the type of coin, purchase price, date and time of
 - transactions in Australian dollars
 - records for any exchanges, their digital wallet and keys, and what they paid in
 - commissions or brokerage fees
 - records of tax agent, accountant and legal costs.
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See also:

- [Tax treatment of cryptocurrencies \(/General/Gen/Tax-treatment-of-cryptocurrencies-in-Australia---specifically-bitcoin/\)](#).

- [Capital gains tax \(/Individuals/Capital-gains-tax/\)](#).

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