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Mining cryptocurrency

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Canada Revenue Agency

What is cryptocurrency?

A cryptocurrency is a type of virtual asset that is protected using cryptography. It typically uses a system called a blockchain to record and keep a history of transactions. Cryptocurrencies, such as Bitcoin and Ether, are independent, meaning they do not rely on governments, central banks, or other central authorities for backing. You can obtain cryptocurrency in many ways, and new methods are being developed all the time. You can use cryptocurrencies for a wide range of activities, such as buying goods, paying bills, or investing. Transactions involving cryptocurrencies often have tax implications.

What is cryptocurrency mining?

Mining is a process that uses computers or specialized hardware to confirm cryptocurrency transactions. A miner will group valid transactions into blocks and if these blocks are accepted by the corresponding cryptocurrency's network, they become part of a public ledger on the blockchain.

At this point, the miner usually receives two types of payments in cryptocurrency. The first is income for the creation of a new cryptocurrency, and the second is a payment for the successful validation by the miner. Those who perform the mining processes are paid in the cryptocurrency that they are validating.

Mining may have tax implications. The income tax treatment for cryptocurrency miners is different depending on whether your mining activities are a personal activity (a hobby) or a business activity. This is decided on a case-by-case basis.

Cryptocurrency mining as a business

Business activities normally involve some regularity or a repetitive process over time. In some cases, one transaction can be considered a business activity.

If you are still setting up or preparing to go into business, such as in cryptocurrency mining, you might not be considered to have started a business. You usually have to undertake significant activity that is part of your income-earning process. However, if you are mining as a business, you have to pay tax on your business income from the mining of the cryptocurrency and any capital gains on the sale of the cryptocurrency that you validated.

How to correct your tax affairs

If you did not report your income or capital gains from transactions in cryptocurrency, you may have to pay tax, penalties and interest on that income or capital gain. You can avoid or reduce penalties and interest by voluntarily correcting your tax affairs. To correct your tax affairs (including corrections to GST/HST returns) and to report income that you did not report in previous years, you may:

- Ask for a [change to your income tax and benefit return](#)
- [Adjust a GST/HST return](#)
- Apply for a correction through the [Voluntary Disclosures Program](#)

More information

You can find more information on the tax obligations related to your cryptocurrency activities in the Canada Revenue Agency's (CRA) [Guide for cryptocurrency users and tax professionals](#).

Note: The CRA is currently updating the Guide for cryptocurrency users and tax professionals. Please make sure to stay informed by checking in for the most up-to-date information.

Information on how to report your income or capital gains from cryptocurrency transactions in your tax filings can also be found in CRA guides [T4037 Capital Gains](#) and [T4002 Self-employed Business, Professional, Commission, Farming, and Fishing Income](#).

Associated links

- [Tax Tip: What is cryptocurrency?](#)
- [Tax Tip: Investing in cryptocurrency](#)

Contacts

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