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Valuing your cryptocurrency

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Ottawa, Ontario

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.

Why you need to value your cryptocurrency for your taxes

For income tax purposes, the Canada Revenue Agency (CRA) treats any income you earn from transactions involving cryptocurrency as business income or capital gains, depending on the circumstances. As such, you must declare your earnings on your tax return. You will need to calculate the value of your cryptocurrency to file your tax return.

For GST/HST purposes, if your business accepts cryptocurrency as payment, you will need to calculate the value of the cryptocurrency used for the taxable property or service. Where a taxable property or service is exchanged for cryptocurrency, the GST/HST that applies is calculated based on the fair market value at the time of the sale.

Valuing cryptocurrencies either as capital property or inventory

How you value your cryptocurrencies depends on whether they are considered capital property or inventory. When cryptocurrencies are held as capital property, you must record and track the cost when you acquired them, so that you can accurately report any capital gains when you sell them.

If the cryptocurrencies are considered to be inventory, you can generally value it based on:

- the cost of each item in the inventory when it was acquired; or
- its fair market value at the end of the year.

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 CRA's [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](#)

- Tax Tip: Mining cryptocurrency.

Contacts

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