Investing in 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.

Investing in cryptocurrency

The value of a cryptocurrency usually changes with supply and demand for that type of cryptocurrency. It can go up and down in value, similar to a stock investment or currency exchange rate.

Buying cryptocurrency

You can buy cryptocurrency through an exchange and hold it in a digital wallet. Each type of cryptocurrency has its own value and is held separate from others.

Generally, cryptocurrency holdings are not taxed. However, you need to keep records on the cryptocurrency that you buy and hold so that you can report them on your income tax return when you dispose of them.

Disposing of cryptocurrencies

You may sell your cryptocurrency for a profit or loss.

When you sell your cryptocurrency, this is called disposing of it. And when you do, there can be tax implications.

The profit that you earn from the sale or trade of cryptocurrency is taxable as either capital gains or business income, and you need to report that income on your tax return. To ensure correct reporting, you must keep accurate records of your purchases and sales of cryptocurrency.

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?

Contacts

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