



What is cryptocurrency?

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Ottawa, Ontario

Canada Revenue Agency

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.

Disposing of cryptocurrencies

There may be tax implications when you dispose of your cryptocurrency. Examples of this could include:

- selling or trading it
- giving it as a gift
- converting it to government-issued currency, such as Canadian dollars

- using it to buy goods or services

Examples of transactions with tax implications

The types of taxes that apply to your cryptocurrency transactions include taxes on:

- Business income
 - Generally, if disposing of cryptocurrency is part of a business, the profits you make on the disposition or sale are considered business income and not a capital gain. Buying a cryptocurrency with the intention of selling it for a profit may be treated as business income.
- Capital gains
 - If the sale of a cryptocurrency is not for carrying on a business, and the amount it sells for is more than the original purchase price or its adjusted cost base, then you have a capital gain.
- Goods and services
 - Where a taxable property or service is exchanged for cryptocurrency, the GST/HST that applies to the property or service is calculated based on the fair market value of the cryptocurrency at the time of the exchange.

To ensure correct reporting, keep accurate records of your purchases and sales dealing with cryptocurrency, including records that show how you calculated the fair market value.

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

Contacts

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