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Reporting your crypto-asset income as an individual carrying on a business

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Ottawa, Ontario

Crypto-assets are digital assets that exist on a cryptographically secured distributed ledger. There are many types of crypto-assets, the most common being cryptocurrencies, such as Bitcoin, Ethereum and Tether. Transactions related to crypto-assets often have tax implications and must be reported on your income tax return.

If you're a crypto-asset user, knowing whether your transactions resulted in a capital gain (or loss) or in business income (or loss) is important because it may affect your taxes.

Carrying on a business as a resident of Canada

As a resident of Canada, you're generally considered to be carrying on a business if:

1. your course of conduct indicates that you are disposing of crypto-assets in a way capable of producing gains **and**
2. you conduct business activities with regularity or continuity.

However, there are other factors which may indicate that you are carrying on a business and the determination must be made case by case. For example, even an isolated crypto-asset transaction could count as business income when it is considered "an adventure or concern in the nature of trade."

How to fulfill your tax obligations

To report business income from your crypto-asset transactions, you can find information in Canada Revenue Agency (CRA) guide [T4002, Self-employed Business, Professional, Commission, Farming, and Fishing Income](#).

What records should you keep

Keep records when you purchase, dispose of, or mine crypto-assets to ensure you have accurate information about your activities. When using third-party software or exchanges for your crypto-asset transactions, maintain and download your original data at regular intervals.

You should keep records of the following information for your crypto-asset transactions:

- The number of units and type of crypto-asset for each transaction;
- The date and time of each transaction;
- The value of the crypto-asset (in Canadian dollars) at the time of each transaction;
- A description of the nature of each transaction and the other party to the transaction (even if it is just their crypto-asset address);
- The addresses associated with each digital wallet used;
- The beginning wallet balance (and its cost) and ending wallet balance for each crypto-asset for each year.

Valuing your business inventory

If you hold crypto-assets as business inventory, you need to know the value and cost of the crypto-assets in order to determine the amount of business income or loss that your business realized. Most of the time, you can use

one of the following methods of valuing inventory consistently from year to year:

- Value each item in the inventory at the cost when it was acquired or at its fair market value at the end of the year (whichever is lower) **or**
- Value the entire inventory at its fair market value at the end of the year.

There may be cases in which you have to use other methods depending on the type of business you have.

Accepting crypto as payment for your business

If your business accepts cryptocurrency as payment for taxable property or services, the value of the cryptocurrency is calculated based on its fair market value at the time of the transaction.

Receiving crypto-assets in exchange for property or services is considered a barter transaction and must be reported as business income.

How to correct a previous reporting error

You may be able to reduce or avoid penalties and interest by voluntarily correcting your tax affairs in the following ways:

- Changing your income tax return and benefit return **or**
- Submitting a case to the Voluntary Disclosures Program.

More information

For more information to help you determine whether your crypto-asset transactions are made on an account of business income or capital, refer to [Information for crypto-asset users and tax professionals](#).

Associated links

- [Tax Tip: What is cryptocurrency?](#)
- [Tax Tip: Investing in cryptocurrency](#)
- [Tax Tip: Mining cryptocurrency](#)
- [Tax Tip: Valuing your cryptocurrency](#)
- [Tax Tip: Keeping records of your cryptocurrency transaction](#)
- [Tax Tip: Crypto-asset exchanges](#)

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