Collecting and remitting GST/HST from crypto-asset transactions

Based on your crypto-asset activities, you may have to register for and start charging the Goods and Services Tax (GST)/Harmonized Sales Tax (HST).

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Accepting crypto-assets as payment

If you are a GST/HST registrant and your business accepts crypto-assets as payment for taxable property or services, you must calculate the value of the crypto-asset for GST/HST purposes based on its fair market value at the time of the transaction.

When you exchange a taxable property or service for crypto-assets, you must calculate the GST/HST that applies to the property or service based on the fair market value of the crypto-assets at the time of the exchange.

To support your tax filing, keep all records that show how you calculated the fair market value.

For more information about calculating the fair market value, refer to: Determining the value of crypto-assets for tax filing.

Supplying crypto-assets

When a person sells a crypto-asset that **meets** the definition of a virtual payment instrument in subsection 123(1) of the *Excise Tax Act*:

- the sale is an exempt supply of a financial service
- GST/HST does not apply to the sale
- the person cannot claim input tax credits related to the sale

Some examples of crypto-assets that are generally accepted as virtual payment instruments are bitcoin, ether (the native token of the ethereum blockchain), and litecoin.

When a person who is a resident of Canada sells a crypto-asset that **does not meet** the definition of a virtual payment instrument:

- the sale is likely a taxable sale of intangible personal property
- the person has to collect GST/HST on the sale
- the person is generally eligible to claim input tax credits related to the sale

Unless:

- the person is a small supplier that is not registered for GST/HST purposes, or

- the supply is otherwise zero-rated, such as certain exported supplies of intangible personal property

Note: Registrant’s making supplies to recipients outside Canada are required to maintain sufficient documentation relating to the place of each supply made to support the application of zero-rating provisions. Examples of sufficient documentation include (but are not limited to) Know-Your-Customer (KYC) records, contracts, and other records that indicate the location of the recipient,

For more information on input tax credits, refer to: Input tax credits.

▶ What are exempt supplies

▶ What is a small supplier

Crypto-asset exchange platforms and the digital economy rules

Under the special GST/HST rules that apply to digital economy businesses, a specified non-resident supplier or an intermediary (such as a distribution platform operator) may be required to register and collect GST/HST on the taxable supply of intangible personal property or a service made on a crypto-asset exchange (such as a specified distribution platform), regardless of whether the supply is sold or provided by the specified non-resident supplier directly or by such an intermediary facilitating such supplies through a specified distribution platform. You may be required to register for the GST/HST under the rules if:

- you are a person operating a digital economy business that directly sells or facilitates the sale of crypto-assets to Canadian recipients through such an intermediary, **and**
- you are not required to be registered under the normal GST/HST rules

For more information on the definitions of a specified non-resident supplier, specified distribution platform, and specified Canadian recipient under subsection 211.1(1) of the *Excise Tax Act*, refer to: Definitions for the digital economy.

To determine if you must register for the GST/HST under these special rules, refer to: GST/HST for digital economy businesses.

Mining crypto-assets

Section 188.2 of the *Excise Tax Act* became effective on February 5, 2022. It contains rules on how to apply the GST/HST to:

- mining activities relating to a crypto-asset
- payments received from performing a mining activity

The definition of a crypto-asset in section 188.2 includes a virtual payment instrument. It also includes property that may be excluded from the definition of a virtual payment instrument, such as:

- Utility tokens
- Non-fungible tokens
- Security tokens

Generally, a person engaged in mining activity is considered to not be engaged in commercial activity for GST/HST purposes. However, they may still be considered to be carrying on a business for income tax purposes

As a result, that person **would not be**:

- required to collect GST/HST on any payment they may receive for performing the mining activity
- eligible to claim any input tax credits in relation to the mining activity

However, in some situations, when one person performs a mining activity for another person whose identity is known to the person performing the mining activity, an exception may apply.

In those limited situations, the person performing the mining activity may be:

- making a taxable supply to the other person and required to collect GST/HST on any payment they receive for performing the mining activity
- eligible to claim input tax credits for the GST/HST they paid on their expenses

For more information about the legislative rules on how to apply the GST/HST to crypto-asset mining activities and payments received from related mining activities, refer to: Section 188.2 of the *Excise Tax Act*.

For more information on how the GST/HST may apply to your activity, refer to: GST/HST Notice 324, Mining Activities in respect of Crypto-assets.

For more information on input tax credits, visit Input tax credits.

Collecting, filing, and remitting (paying) the GST/HST

If you are required to collect, file, and remit (pay) the GST/HST, visit GST/HST for businesses.

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