Determining the value of crypto-assets for tax filing

To report correct amounts on your income tax return, you need to determine the value of your crypto-assets when transactions occur.

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Determining the value of a crypto-asset

In order to calculate your gains or losses when you dispose of your crypto-assets, you will need to determine their total cost at acquisition using their fair market value.

Generally, the Canada Revenue Agency (CRA) will accept a crypto-asset's fair market value for tax reporting purposes.

▶ What is fair market value

In all cases, you must use a reasonable method for determining the value of your crypto-assets, even when a direct value is not readily available. Generally, whichever method you choose, use it consistently from year to year and keep a record of how it was used to calculate a value. For example, you could choose an exchange rate taken from the same exchange broker you are using or an average of high/low/open/close values across a number of high-volume exchange brokers to determine the value and repeat that every year.

If you hold **more than one type** of crypto-asset, each type is considered to be a separate asset and must be valued separately for inventory purposes.

For information about keeping books and records, refer to: Keeping books and records of crypto-assets for tax filing.

▶ Example – Determining the value of your crypto-assets

Determining the value of crypto-asset inventory

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

Generally, you should use one of the following two methods of valuing inventory **consistently** from year to year:

> Method 1: Value each item in the inventory at the cost when it was acquired or its fair market value at the end of the year, whichever is lower

Method 2: Value the entire inventory at its fair market value at the end of the year

You may have to use other methods of valuing inventory, depending on the type of business you have. For example, property described in the inventory of a business that is an adventure or concern in the nature of trade must be valued at the cost for which you acquired the property.

Keeping books and records is necessary to support the value you determine your crypto-assets to be on your tax returns. For information about keeping books and records, refer to: Keeping books and records of crypto-assets for tax filing.

▶ What is an adventure or concern in the nature of trade

▶ What is the cost of acquired property

▶ Example – Determining the value of crypto-asset inventory at year end

For more information about determining the value of inventory for tax purposes, including the special rules for an adventure or concern in the nature of trade, view our archived content on Inventory valuation.

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