Reporting income from crypto-asset transactions

Dispositions are one of the transactions or events related to crypto-assets that often has tax implications. As a crypto-asset user, you must report business income (or losses) or capital gains (or losses) from dispositions.

On this page

Crypto-asset dispositions

A disposition of a crypto-asset may occur when you do any of the following:

- Trade or exchange it for government-issued currency or another type of crypto-asset
- Use it to buy goods or services
- Transfer ownership of it by way of gift or donation

The list above does not include all situations that result in a disposition. Other situations may also result in a disposition and may potentially have income tax implications.

Using cryptocurrency to pay for goods and services is a common example of the disposition of a crypto-asset. Since cryptocurrency is not government-issued currency, using cryptocurrency as payment for goods or services is treated as a barter transaction for income tax purposes.

Generally, you are considered to have disposed of cryptocurrency if you use it to pay for goods or services from a vendor. On the other hand, the vendor must include in their income the value of the goods or services provided or the value of the cryptocurrency accepted as payment, whichever is more readily valued.

What is a barter transaction

A barter transaction occurs when two parties exchange goods or services and carry out that exchange without using government-issued currency.

For more information, see our archived content on barter transactions.

Some transactions do not result in a taxable disposition, such as transfer of crypto-assets between wallets that you own.

Business income or capital gain

When you dispose of a crypto-asset, the income (or loss) may be considered business income (or loss) or a capital gain (or loss).

Business income (or loss)

Generally, your income from crypto-assets transactions may be considered business income when your crypto-assets activities are consistent with those of a person carrying on a business.

You have business income when the revenue you earned in the year from your crypto-assets transactions is more than the expenses you incurred to earn that revenue.

You have a business loss when the revenue from your crypto-assets transactions is less than the expenses you incurred to earn that revenue.

Carrying on a business

Paragraphs 9 to 13 of Interpretation Bulletin IT-479R, Transactions In Securities, provide general information to help you determine if your securities transactions are made on account of business income or capital.

The information in these paragraphs may be relevant in determining whether your crypto-asset transactions are on account of income or capital depending on the nature of those assets. However, you should keep in mind that this does not mean that crypto-assets are necessarily securities (for example, shares and bonds) for income tax purposes.

As introduced by Interpretation Bulletin IT-479R, you are generally considered to be carrying on a business if your course of conduct indicates that you are disposing of crypto-assets in a way capable of producing gains, with that object in view, and the transactions are carried out in a manner similar to a trader or dealer in securities.

The following factors may indicate that you are carrying on a business:

- **Frequency of transactions** – You have a history of extensive buying and selling of crypto-assets

- **Period of ownership** – You hold your crypto-assets for a short period of time, and you turn them over quickly
- **Knowledge of crypto-asset markets** – You have knowledge of, or experience in, crypto-asset markets
- **Time spent** – You spend a substantial part of your time studying crypto-asset markets
- **Financing** – You finance your crypto-asset purchases by some form of debt
- **Advertising** – You advertise that you are willing to buy crypto-assets

Whether you are carrying on a business or not must be determined on a case-by-case basis and consider all the factors of your transaction. However, an isolated crypto-asset transaction could be determined to be on account of business income when it is considered an adventure or concern in the nature of trade.

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

▶ Example – Business income or loss

Capital gain (or loss)

Generally, if a crypto-asset transaction is not made on account of business income, it would be considered capital in nature.

You have realized a capital gain if:

- the disposition of a crypto-asset is on account of capital, and
- the proceeds of disposition (usually the sale price of the crypto-asset) are more than your adjusted cost base (usually the cost of a crypto-asset, plus expenses to acquire it) and the outlays and expenses incurred to make the disposition

You have realized a capital loss if the amount for the proceeds of disposition of the crypto-asset is less than the adjusted cost base and the outlays and expenses incurred to make the disposition.

▶ Example – Capital gain or loss from selling

▶ Example – Capital gain or loss from trading one crypto-asset for another

Reporting business income (or loss)

If you have disposed of a crypto-asset on account of business income, you must report the full amount of your profits (or loss) from the disposition in your tax return.

For more information on business income, including from the disposition of a crypto-assets, refer to: Guide T4002, Self-employed Business, Professional, Commission, Farming, and Fishing Income.

Reporting capital gain (or loss)

If you have disposed of a crypto-asset on account of capital, you must include half of your capital gains (known as taxable capital gains) in your income for the year.

For more information on proceeds of disposition, adjusted cost base, and capital gains and losses, including from the disposition of a crypto-asset, refer to: Guide T4037, Capital Gains.

Allowable deductions

You are allowed to deduct half of your capital losses (known as allowable capital losses), but only against your taxable capital gain.

As such, you cannot deduct your allowable capital losses against income from other sources, like employment income.

Generally, if your allowable capital losses are more than your taxable capital gains in a year, the difference is added to your net capital losses, which can be applied against taxable capital gains of other years.

To offset taxable capital gains, you can carry back three years or carry forward indefinitely any net capital losses.

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