Digital payment tokens

A digital payment token refers to any cryptographically-secured digital representation of value that is used or intended to be used as a medium of exchange.

Characteristics of a digital payment token

To qualify as a digital payment token, the token must have all of the following characteristics:

1. it is expressed as a unit;
2. it is designed to be fungible;
3. it is not denominated in any currency, and is not pegged by its issuer to any currency;
4. it can be transferred, stored or traded electronically;
5. it is, or is intended to be, a medium of exchange accepted by the public, or a section of the public, without any substantial restrictions on its use as consideration;

   but does not include:

6. money;
7. anything which, if supplied, would be an exempt supply of financial services;

8. anything which gives an entitlement to receive or to direct the supply of goods or services from a specific person or persons and ceases to function as a medium of exchange after the entitlement has been used.

Examples of digital payment tokens are Bitcoins, Ether, Litecoin, Dash, Monero, Ripple and Zcash.

Supply of digital payment tokens from 1 Jan 2020

Exempt Supply

The following supplies of digital payment tokens are exempt from GST:

- Exchange of digital payment tokens for fiat currency or other digital payment tokens

Example 1: Exchange of one digital payment token for another

- Provision of loans of digital payment tokens

Example 2: Loans of digital payment tokens

Disregarded supply

The use/ provision of digital payment tokens as payment for anything (other than fiat currency or other digital payment tokens) is disregarded as a supply for GST purposes.

Whether digital payment tokens or fiat currency are used to purchase goods and services, GST is chargeable only on the supply of goods and services, unless the supply is an exempt, zero-rated or out-of-scope supply.

Example 3: Use of digital payment tokens as payment

Please refer to GST: Digital Payment Tokens (PDF, 364KB) for more information on the characteristics of digital payment tokens and the GST reporting requirements.

Supply of virtual currencies (including digital payment tokens) before 1 Jan 2020

Before 1 Jan 2020, the supply of virtual currencies (including digital payment tokens) is treated as a taxable supply of services. Where you supply virtual currencies in the course or furtherance of a business, you will be liable for GST registration if your annual turnover exceeds $1 million.

Once registered, you will have to charge and account for GST on your supply of virtual currencies.

Should you use virtual currencies to pay for goods or services, a barter trade situation will arise — you will be regarded as supplying the virtual currencies in return for the supply of goods or services rendered. You will have to account for GST on your supply of virtual currencies. If your supplier is GST-registered, your supplier will have to charge GST on the supply of goods or services (where the supply is taxable).

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