



## Tax treatment of crypto-currencies in Australia – specifically bitcoin

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This guidance paper provides an overview of the tax treatment for transactions associated with crypto currencies, specifically bitcoin. This guidance also applies to other crypto or digital currencies that have the same characteristics as bitcoin.

The guidance in this paper is general in nature only. Statements about deductibility assume that the ordinary conditions for a deduction are satisfied. For GST purposes, the paper assumes supplies are connected with Australia, relevant taxpayers are registered or required to be registered and supplies are not GST-free. It is assumed that acquisitions satisfy the creditable purpose requirements.

Note: From 1 July 2017, sales and purchases of digital currency such as bitcoin are no longer subject to GST. The GST guidance in this document is currently under review as a result of recent changes to the GST law.

For further guidance on the GST consequences of transactions involving digital currency from 1 July 2017 such as bitcoin, see [GST and digital currency \(/business/gst/in-detail/your-industry/financial-services-and-insurance/gst-and-digital-currency/\)](#).

### Find out about:

- [Transacting with bitcoin](#)
- [Using bitcoin for personal transactions](#)
- [Using bitcoin for business transactions](#)
- [Bitcoin exchange transactions](#) (including bitcoin ATMs)
- [Our commitment to you](#)

### Transacting with bitcoin

Transacting with bitcoin is akin to a barter arrangement, with similar tax consequences. Our view is that bitcoin is neither money nor a foreign currency, and the supply of bitcoin is not a financial supply for goods and services tax (GST) purposes. Bitcoin is, however, an asset for capital gains tax (CGT) purposes.

You need to keep the following records for bitcoin transactions:

- the date of the transactions
- the amount in Australian dollars (which can be taken from a reputable online exchange)
- what the transaction was for
- who the other party was (even if it's just their bitcoin address).

### Using bitcoin for personal transactions

Generally, there will be no income tax or GST implications if you are not in business or carrying on an enterprise and you simply pay for goods or services in bitcoin (for example, acquiring personal goods or services on the internet using bitcoin).

Where you use bitcoin to purchase goods or services for personal use or consumption, any capital gain or loss from disposal of the bitcoin will be disregarded (as a personal use asset) provided the cost of the bitcoin is \$10,000 or less.

## Using bitcoin for business transactions

If you receive bitcoin for goods or services you provide as part of your business, you will need to record the value in Australian dollars as part of your ordinary income. This is the same process as receiving non-cash consideration under a barter transaction. The value in Australian dollars will be the fair market value which can be obtained from a reputable bitcoin exchange, for example.

When receiving bitcoin in return for goods and services, a business may be charged GST on that bitcoin. If the supply of the goods and services was a taxable supply, the business will be able to claim input tax credits on the GST charged on the bitcoin they received as payment.

### See also:

- [TR IT 2668 \(/law/view/document?docid=ITR/IT2668/NAT/ATO/00001&PiT=99991231235958\)](#) *Income tax: barter and countertrade transactions*

## Bitcoin for goods or services

Where you are carrying on a business and purchase business items using bitcoin (including trading stock) you are entitled to a deduction based on the arm's length value of the item acquired.

GST is payable on the supply of bitcoin made in the course or furtherance of your enterprise. GST is calculated on the market value of the goods or services. This is ordinarily equal to the fair market value of the bitcoin at the time of the transaction.

## Capital gains

There may also be capital gains tax consequences where you dispose of bitcoin as part of carrying on a business. However, any capital gain is reduced by the amount that is included in your assessable income as ordinary income.

## Paying salary or wages in bitcoins

Where an employee has a valid salary sacrifice arrangement with their employer to receive bitcoins as remuneration instead of Australian dollars, the payment of the bitcoins is a fringe benefit and the employer is subject to the provisions of the *Fringe Benefits Tax Assessment Act*.

In the absence of a valid salary sacrifice agreement, the remuneration is treated as normal salary or wages and the employer will need to meet their pay as you go obligations as usual.

### See also:

- [TR 2001/10 \(/law/view/document?docid=TXR/TR200110/NAT/ATO&PiT=99991231235958\)](#) *Income tax: fringe benefits tax and superannuation guarantee: salary sacrifice arrangements*

## Mining bitcoin

Where you are in the business of mining bitcoin, any income that you derive from the transfer of the mined bitcoin to a third party would be included in your assessable income. Any expenses incurred in respect to the mining activity would be allowed as a deduction. Losses you make from the mining activity may also be subject to the non-commercial loss provisions.

Bitcoin held by a taxpayer carrying on a business of mining and selling bitcoin, will be considered to be trading stock. You are required to bring to account any bitcoin on hand at the end of each income year.

GST is payable on the supply of bitcoin made in the course or furtherance of your bitcoin mining enterprise. Input tax credits may be available for acquisitions made in carrying on your bitcoin mining enterprise.

### See also:

[TR 2001/14 \(/law/view/document?docid=TXR/TR200114/NAT/ATO/00001\)](#) *Income tax: Division 35 – non-commercial losses*

## Bitcoin exchange transactions (including bitcoin ATMs)

Where you are carrying on a business of buying and selling bitcoin as an exchange service, the proceeds you derive from the sale of bitcoin are included in your assessable income. Any expenses incurred in respect to the exchange service, including the acquisition of bitcoin for sale, are allowed as a deduction.

Bitcoin held by a taxpayer carrying on a bitcoin exchange will be considered to be trading stock. You are required to bring to account any bitcoin on hand at the end of each income year.

GST is payable on a supply of bitcoin by you in the course or furtherance of your exchange service enterprise. Input tax credits are available for bitcoin acquired if the supply of bitcoin to you is a taxable supply.

The tax consequences for transacting with a bitcoin exchange will depend on whether you are acquiring or supplying the bitcoin as part of a business transaction or for investment or otherwise (see the relevant guidance above and below).

## Disposing of bitcoin acquired for investment

If you have acquired bitcoin as an investment capital gains tax could apply (although see information about [using bitcoin for personal transactions](#)). If you are not carrying on a business of bitcoin investment, you will not be assessed on any profits resulting from the sale or allowed any deductions for any losses made. However, if your transactions amount to a profit-making undertaking or plan then the profits on disposal of the bitcoin will be assessable income. Note: There are no GST consequences where the bitcoin is not supplied or acquired in the course or furtherance of an enterprise you are carrying on.

## Past transactions

On 17 December 2014, we finalised a number of rulings (a GST Public Ruling and several Income Tax Determinations) relating to the application of tax laws for bitcoin and similar crypto-currencies. All of these rulings have application to tax periods before their date of issue as they discuss the operation of laws that were already operative.

However, the Commissioner of Taxation will not generally apply compliance resources to tax periods that started before 1 October 2014 for goods and services tax, or 1 July 2014 for other tax issues. This is for taxpayers that can show they have made a genuine attempt to determine the tax treatment of bitcoin and have adopted a consistent position on this in those past tax periods.

**See also:**

- [TD 2014/25 \(/law/view/document?src=hs&pit=99991231235958&arc=false&start=1&pageSize=10&total=7&num=3&docid=TXD%2F25\) Income tax: is bitcoin a 'foreign currency' for the purposes of Division 775 of the Income Tax Assessment Act 1997 \(ITAA 1997\)?](#)
- [TD 2014/26 \(/law/view/document?src=hs&pit=99991231235958&arc=false&start=1&pageSize=10&total=7&num=2&docid=TXD%2F26\) Income tax: is bitcoin a CGT asset for the purposes of subsection 108-5\(1\) of the Income Tax Assessment Act 1997 \(ITAA 1997\)?](#)
- [TD 2014/27 \(/law/view/document?src=mm&pit=99991231235958&arc=false&start=1&pageSize=10&total=7&num=1&docid=TXD%2F27\) Income tax: is bitcoin trading stock for the purposes of subsection 70-10\(1\) of the Income Tax Assessment Act 1997 \(ITAA 1997\)?](#)
- [TD 2014/28 \(/law/view/document?src=mm&pit=99991231235958&arc=false&start=1&pageSize=10&total=7&num=0&docid=TXD%2F28\) Fringe benefits tax: is the provision of bitcoin by an employer to an employee in respect of their employment a property fringe benefit for the purposes of subsection 136\(1\) of the Fringe Benefits Tax Assessment Act 1986?](#)
- [GSTR 2014/3 \(/law/view/document?DocID=GST/GSTR20143/NAT/ATO/00001\)W Goods and services tax: the GST implications of transactions involving bitcoin \(withdrawn 18 December 2017\).](#)

## Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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