Loss or theft of cryptocurrency

A capital loss can be claimed where your cryptocurrency is stolen or your private key is lost. To claim a capital loss, the following evidence is required:

- the date the private key was acquired and lost
- the wallet address that the private key relates to
- the cost incurred to acquire the lost or stolen cryptocurrency
- the amount of cryptocurrency in the wallet at the time of loss
- that the wallet was controlled by you (e.g. transactions linked to your identity)
- that you are in possession of the hardware that stores the wallet
- transactions to the wallet from a digital currency exchange for which you hold a verified account or that is linked to your identity

What records do I need to keep?

You need to keep written evidence that details the transaction's date, value (in AUD), description and who the other party was (e.g. their cryptocurrency address). These records may include receipts, exchange records, digital wallet records and keys.

Useful ATO resources

- For more information about cryptocurrency, please visit ato.gov.au/cryptocurrency
- For more information about CGT, please visit ato.gov.au/general/capital-gains-tax

Contact the Curtin Tax Clinic

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Curtin University

Curtin Tax Clinic Guide:

Cryptocurrency

Make tomorrow better.

What is cyptocurrency?

Cryptocurrency refers to digital assets where encryption techniques are used to regulate the creation of new cryptocurrency and to verify transactions that occur within a blockchain.

The acquisition and disposal of cryptocurrency (such as Bitcoin, Ethereum, Litecoin) may attract tax consequences depending on the circumstances.

Most cryptocurrency transactions are captured by Capital Gains Tax (**CGT**), however the mining and staking of cryptocurrencies is dealt with under the income tax regime.

There are further differences in the treatment of cryptocurrencies depending on whether you are dealing with cryptocurrency for business, investment or personal use.

When will I be taxed?

It is important to note that each cryptocurrency is regarded as a separate CGT asset. The disposal of a CGT asset generally triggers CGT, unless the asset was sold for less than its cost base or an exemption applies. Capital losses made from CGT assets sold at a loss may be applied to reduce other capital gains.

Transferring cryptocurrency between own wallets

The transfer of cryptocurrency between your own wallets or accounts is not taxable and does not trigger CGT implications.

Exchanging cryptocurrencies

The exchange of one cryptocurrency for another results in the disposal of one CGT asset and the acquisition of another CGT asset. With this sale, the market value (in Australian Dollars (**AUD**)) of the property needs to be accounted for.

An exchange takes place where you:

- sell or gift cryptocurrency
- trade or exchange cryptocurrency
- convert cryptocurrency to fiat currency (i.e. currency established by government, regulation or law, such as AUD)
- use cryptocurrency to obtain goods or services

Investment in cryptocurrency

Where cryptocurrency is acquired for investment purposes, its disposal triggers CGT where the capital proceeds exceed its cost base. If the invested cryptocurrency is held for longer than 12 months, the 50% general discount may be available to reduce any capital gain made upon disposal.

Importantly, however, if the cryptocurrency is held as an investment, there is no exemption available for personal use.

Cryptocurrency as a personal use asset

Capital gains made on personal use assets acquired for less than $10,000 are disregarded for CGT purposes. However, all capital losses made on personal use assets are disregarded.

Where cryptocurrency is kept or used to primarily purchase items for personal use or consumption, it is a personal use asset. It will not be a personal use asset where it is used or kept as an investment, in a profit-making scheme or during the course of carrying on a business. Determining whether cryptocurrency is a personal use asset is made at the time of disposal.

It is important to note that the longer a cryptocurrency is held, the less likely it is to be considered as a personal use asset - this may be the case even where items are purchased for personal use or consumption.

Cryptocurrency in business

If you are paid in cryptocurrency (i.e. as a freelancer or employee) any cryptocurrency received is subject to income tax at its market value when received.

If cryptocurrency is held for sale or exchange in the ordinary course of business, it is treated as trading stock.

Mining or staking cryptocurrency

Proceeds from mining or staking cryptocurrency are subject to income tax. Any subsequent sale of mined cryptocurrency is then subject to CGT on the difference between the value declared as income and its value at sale.