Crypto assets and business

Work out the tax treatment of crypto assets in business and how tax applies to crypto mining activities.

Crypto assets used in business

How to determine the tax treatment of crypto assets (including cryptocurrency and NFTs) used in business.

Crypto mining

How income tax and goods and services tax (GST) applies to crypto mining activities.

QC 70925

Crypto assets used in business

How to determine the tax treatment of crypto assets (including cryptocurrency and NFTs) used in business.

Last updated 29 June 2022

On this page

> Receiving crypto assets as payment for services
>
> Keeping crypto records in business

Trading stock or investment?

This page contains information on the tax treatment of crypto assets when they're used in business. For more information on the nature of crypto assets and the risks in using them, see ASIC’s Money Smart website.

A business may hold and use crypto assets:

- in carrying on a crypto asset business (including a crypto trading, mining or exchange business or a business selling **non-fungible tokens**), in which case the crypto assets are treated as **trading stock**, and
  - the cost of acquiring them is a deductible expense
  - the proceeds of selling them are assessable as ordinary income
- for the purpose of exchanging goods or services in the **ordinary course of carrying on a business**, (including businesses that are not 'crypto asset businesses'), in which case the crypto assets are also **trading stock**
- as an **investment**, in which case the crypto assets are subject to capital gains tax (CGT) when a CGT event happens, and you need to account for them in the business's net capital gains or capital losses (see **Crypto asset investments**).

When you use crypto assets to buy business inputs or sell products, you may also be entitled to **GST credits on purchases and may have to remit GST on sales**.

Are you carrying on a business?

Not all people using crypto assets will be carrying on a business. To be carrying on business, you will usually:

- carry on your activity for commercial reasons and in a commercially viable way

- intend to make a profit or genuinely believe you will make a profit, even if you are unlikely to do so in the short term
- undertake activities in a planned, organised and business-like manner – this may include keeping business records, preparing a business plan, and acquiring capital assets or inventory in line with your business plan
- repeat similar types of activities for your business on a regular basis.

However, the overall size of your transactions, a high volume of activity, or a level of sophistication doesn't necessarily mean you are carrying on a business using crypto assets.

If you’re still setting up or preparing to go into business, you might not yet have started the business. If you have started a business, it's important to know when you commenced it as money or property received before a business started to be carried on is not generally assessable income. Likewise, you can't claim deductions for expenses you incurred before the business was carried on.

Whether you are carrying on a business depends on your own particular circumstances. For more information, see **Are you in business?**

Example: business of trading crypto assets

Sachin is in the business of trading crypto assets. On 15 December 2017, he buys 1,500 Coin A for $150,000. On the same day, he sells 1,000 Coin A for $200,000.

As Sachin holds the crypto assets for sale or exchange in the ordinary course of his business, he can claim a deduction of $150,000 for the acquisition of Coin A (cost of sales).

Sachin declares income (sales) of $200,000 for the sale of Coin A.

He may also be required to value any remaining Coin A he holds as trading stock on hand at the end of the financial year. One way of determining the value of a crypto asset in Australian dollars is using a fair market value published by a reputable crypto asset exchange.

Paying salary or wages in crypto assets

Where an employee has a valid **salary sacrifice** arrangement with their employer to receive crypto assets as remuneration instead of Australian dollars, the payment of the crypto assets is a **fringe benefit**.

The benefit is a property benefit, with its value established at the time it is provided.

In the absence of a valid salary sacrifice agreement, the employee is considered to have received their normal salary or wages. In this case, the employer will need to meet their **pay as you go (PAYG) withholding** and **superannuation** obligations on the Australian dollar value of the crypto assets it pays to the employee.

For example, this would be the case is where an employee has already earned their salary or wages and then asks to be paid in crypto assets instead.

For more information on the treatment of non-cash payments to employees, see:

- **Non-cash payments**
- **TD 2014/28** *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?*

Receiving crypto assets as payment for services

If you receive crypto assets as payment for services provided by your business, the money value of the crypto assets is ordinary income of the business. The money value of the crypto assets is worked out at the time the income is derived.

Example: crypto assets received as payment for services

As consideration for providing legal advice to Project ICO, Dora receives 10,000 ICO tokens. The money value of the 10,000 ICO tokens is ordinary income of Dora at the time the tokens are derived.

Dora calculates the money value of the tokens as their market value, taken from a reputable exchange, at the time she derived the income.

When Dora later sells her tokens, their cost base for CGT purposes is their market value at the time she acquired them.

Keeping crypto records in business

Our **crypto asset data-matching program** matches what you report in your tax return with data on crypto asset transactions and accounts from designated service providers. This helps us identify the buyers and sellers of crypto assets and quantify transactions.

Irrespective of how you acquire and use crypto assets, you must **keep records** of each of your crypto assets and all transactions for tax purposes.

QC 69963

Crypto mining

How income tax and goods and services tax (GST) applies to crypto mining activities.

Last updated 18 November 2022

On this page

What is crypto mining

Crypto mining is the process of validating transactions on the blockchain and creating new blocks. The users who create new blocks in this system are known as miners.

Proof of work mining is a competition between miners to solve cryptographic puzzles and validate transactions to earn block rewards.

A miner may also join a mining pool and provide mining services to the mining pool operator. Mining pools are groups of miners who combine their computing power to increase their probability of successfully solving the cryptographic puzzle. If the pool successfully solves the puzzle, the block reward is shared with all the miners in the pool.

For more about the nature of crypto and the risks in using them, see ASIC's Moneysmart.

Carrying on a business in crypto mining

If you are carrying on a business in crypto mining, either by yourself or by providing services to a mining pool operator, then the crypto assets you receive from mining are treated as trading stock of your business.

All businesses must **account for the value of their trading stock** at the:

- end of each income year (closing stock)
- start of the next income year (opening stock).

Not all crypto miners will be carrying on a business and whether you are depends on your own circumstances. Determine if **you are in business** and the **tax treatment of crypto assets you use**.

GST and crypto mining

Miners carrying on an **enterprise** that is **registered for GST**, or required to be registered, will have GST consequences when mining digital currency.

Supplying mining services to a mining pool operator

If you supply mining services to a mining pool operator located in Australia, your supply will be **taxable**. You must pay GST on any taxable supplies you make and you may claim GST credits on eligible purchases.

The GST you remit must be in Australian currency. Find out what to do if you **receive digital currency as payment**.

Supplies to a non-resident

If you supply mining services to a **non-resident** mining pool operator who is not located in Australia, your supply will be **GST-free**. You do not need to pay GST on any GST-free supplies you make. However, you may be able to claim GST credits.

Example: mining services to a non-resident mining pool

Zumi Miner Pty Ltd carries on an enterprise of providing mining services and is registered for GST.

They join a mining pool, operated by CloudMiner. CloudMiner is a non-resident and is located outside of Australia.

Zumi Miner supplies proof of work mining services to CloudMiner. CloudMiner provides Zumi Miner with CostyCoin, a digital currency, as payment for their mining services.

Zumi Miner's supply of mining services to CloudMiner is GST-free and they will not have to pay any GST for this supply.

Claiming GST credits

You can **claim GST credits** for purchases related to making taxable or GST-free supplies of mining services.

You cannot claim GST credits for some purchases to the extent it is for:

- a private or domestic purpose
- making an input-taxed supply, such as a financial supply.

Example: claiming GST credits relating to a taxable supply of mining services

Elise is registered for GST and makes taxable supplies of mining services to CryptoSolvers, a mining pool operated by an Australian resident in Australia.

She purchases computer equipment to assemble 4 mining rigs. These purchases include GST.

Elise sets up her mining operation in a spare room in her home. The room and mining rigs are solely used for mining. She uses an energy meter to monitor and record the energy cost of operating the 4 mining rigs.

Elise can claim:

- GST credits for the computer equipment she purchases
- GST credits for the energy cost to the extent that they relate to providing the mining services.

Selling digital currency received from crypto mining

If you sell digital currency you receive from providing mining services, this will be an **input taxed** financial supply unless it is GST-free.

Find out more about the **GST treatment of the sale of digital currency**.

QC 70926

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 meet 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.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

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.