



Investing

Crypto asset investments and tax



QC 101119

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Tax responsibilities

Crypto assets (crypto) are a digital representation of value that you can transfer, store or trade electronically. This also includes **non-fungible tokens (NFTs)**.

When you buy, sell, or dispose of crypto assets in any other way, you have tax responsibilities.

You need to keep records for **every** crypto asset transactions.

If you need help understanding how this content applies to you, **contact us** or speak to a registered tax agent.

You can also read more about [crypto asset investments](#) (in English).

Follow these 3 steps to help you manage your crypto asset tax responsibilities.

- [1. Report disposal of crypto](#)
- [2. Work out any CGT](#)
- [3. Keep records](#)

1. Report disposal of crypto

When you dispose of any crypto asset, you need to consider capital gains tax. You may need to include a capital gain or loss in your income tax return.

You must report a disposal of crypto for capital gains tax purposes. Disposing includes when you:

- exchange one crypto asset for another
- trade, sell, gift or donate crypto assets
- convert crypto to a fiat currency (a currency established by government regulation or law) – for example, to Australian dollars.

Transferring crypto assets from one digital wallet to another digital wallet is not considered as a disposal as long as you maintain ownership of it.

If your crypto holding reduces during a transfer to cover a network fee, the transaction fee is a disposal and has capital gain consequences.

2. Work out any CGT

To work out your capital gain or loss, you need to determine the value of your crypto purchases and sales in Australian dollars. A capital gain or loss is the difference between the:

- **cost base** (cost of ownership, including the purchase price plus certain other costs associated with acquiring, holding and disposing of it)
- **capital proceeds** (what you receive or the market value of what you receive) when you dispose of your crypto.

If you:

- buy crypto using Australian dollars, the amount you paid is included in your cost base (see [example 1](#))
- exchange one crypto asset to another, your cost base is the market value in Australian dollars of the crypto at the time of the transaction (see [example 2](#)).

If you have a capital loss, you use it to reduce capital gains you make in the current financial year. If your allowable capital losses are more than your capital gains, you have a net capital loss. You **can't** deduct a net capital loss against income like salary or wages, but you can carry it forward and deduct it from capital gains in future years.

3. Keep records

You need to keep records of all transactions associated with buying, holding and disposing of crypto assets.

To help keep accurate records:

- set up a record keeping system, which can be a simple spreadsheet or you can use professional software
- scan digital copies of your records to make it easier to store and access them.

You need to keep records for at least 5 years after you dispose of any crypto.

Buying (acquiring):	Owning (holding):	Selling (disposing):
• receipts of transactions • documents that display – the crypto asset – the purchase price in Australian dollars – the date and time of the transaction	• software costs related to managing your tax affairs • digital wallet records and keys • documents that show the date and quantity of crypto assets received via staking or airdrop	• receipts of sale or transfer • documents that display – the crypto asset – the sale or transfer price in Australian dollars – the date and time of the transaction

– what the transaction was for • commission or brokerage fees on the purchase • agent, accountant and legal costs • exchange records		– what the transaction was for • commission or brokerage fees on the sale or transfer • exchange records • calculation of capital gain or capital loss
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Crypto assets as personal use assets

You may be able to disregard some capital gains or losses from disposing of crypto assets that are personal use assets.

Crypto assets are a personal use assets if they is kept or used mainly to purchase items for personal use or consumption (see [example 3](#)).

Crypto assets are **not** personal use assets if keep or use them mainly as any of the following:

- as an investment
- in a profit-making scheme
- in carrying on a business.

In most situations, crypto is not a personal use asset and is subject to capital gains.

A capital gain on a personal use asset is not disregarded if it cost more than \$10,000 to acquire it.

Example 1: disposing of crypto you buy with fiat currency

A fiat currency is a currency established by a country's government regulation or law.

Tim purchased 400 XRP for **A\$800**. A few days later Tim exchanged his 400 XRP for 2 Ether (ETH). Tim needs to report

his capital gain or loss from the disposal of crypto (XRP) in his tax return.

Tim's receipt shows he:

- used **A\$800** to purchase **400 XRP**
- was charged **A\$5** for brokerage.

Tim's cost base is **A\$800 + A\$5**, which totals **A\$805**.

Tim's exchange provides a receipt for the purchase of 2 ETH but it doesn't include prices in Australian dollars. According to his exchange records, Tim exchanged 400 XRP for 2 ETH on 25 June 2021 at 1:30 pm.

At the time of this transaction, the market value of 2 ETH was **A\$900**. Tim's capital proceeds is **A\$900**.

Tim subtracts his cost base (**A\$805**) from his capital proceeds (**A\$900**), which results in a capital gain of **A\$95**.

Tim is not eligible for a discount or exemption.

Tim keeps a record of his net capital gain (**A\$95**) to fill in his capital gains in his 2021 tax return.

Example 2: exchanging a crypto asset for another crypto asset

A few months later Tim exchanged his 2 Ether (ETH) for 0.08 Bitcoin (BTC).

Tim's exchange records show he acquired 2 ETH on 25 June 2021 at 1:30 pm for 400 XRP. At the time of the transaction, the XRP had a market value of **A\$900**.

Tim's exchange charges him an **A\$10** brokerage fee to trade 2 ETH for 0.08 BTC.

Tim's cost base is **A\$900 + A\$10**, which totals **A\$910**.

Tim's exchange provides a receipt for the acquisition 0.08 BTC, but it doesn't include prices in Australian dollars. Tim's receipt shows he disposed of his 2 ETH for 0.08 BTC on 13 July 2021 at 2:00 pm.

At the time of this transaction, the market value of 0.08 BTC was **A\$1,055**. Tim's capital proceeds from the exchange of 2 ETH for 0.08 BTC is **A\$1,055**.

Tim subtracts his cost base (**A\$910**) from his capital proceeds (**A\$1,055**), which results in a capital gain of **A\$145**.

Tim isn't eligible for a discount or exemption.

Tim keeps a record of his net capital gain (**A\$145**) to fill in his capital gains in this 2022 tax return.

Example 3: personal use asset

Josh pays **A\$50** each fortnight to acquire crypto assets, all of which he uses in the same fortnight to buy computer games. He doesn't hold any other crypto assets.

In one fortnight, Josh sees a computer game for sale through an online retailer who doesn't accept crypto assets. Josh uses an online payment gateway that accepts crypto assets to buy the game.

Under the circumstances in which Josh acquires and uses the crypto assets, the crypto assets (including the amount he uses through the online payment gateway) are personal use assets. The one-off use of a payment gateway doesn't change the nature of his regular use of crypto assets.

Example 4: investment in crypto, not personal use

Rose buys crypto with the intention of selling at a favourable exchange rate. She decides to buy some goods and services directly with some of her crypto.

Because Rose held the crypto primarily as an investment, the crypto isn't a personal use asset.

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