



Australian Government  
Australian Taxation Office

## Tax-smart tips for crypto asset investments



If you exchange crypto assets (crypto) for goods, cash or other crypto assets then this is normally considered a disposal for the purposes of capital gains tax. You may need to include a capital gain or capital loss in your income tax return.

### Make tax time easier by remembering these 3 tips:

1. Disposal of crypto assets
2. Calculating capital gains tax (CGT) on crypto assets
3. Keep records

### 1 Disposal of crypto assets

You must report a disposal of crypto assets for capital gains tax purposes if you:

- exchange one crypto for another crypto
- trade, sell or gift crypto
- convert crypto to a fiat currency – for example, to Australian dollars (A\$).

If you only transfer crypto from one wallet to another wallet while maintaining ownership, it's not considered a disposal of crypto for tax purposes. If your crypto holding reduces during this transfer to cover the network fee, the transaction fee is a disposal and has capital gain consequences.

You have a CGT reporting obligation even if you:

- use the proceeds from selling crypto to buy more crypto
- don't convert the proceeds into fiat currency (for example, A\$).

### 2 Calculating capital gains tax (CGT) on crypto assets

Convert your crypto asset purchases and sales into A\$ to calculate your capital gain or capital loss. A capital gain or capital loss is the difference between your:

- cost base (cost of ownership – including the purchase price of the coin 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 purchase crypto using AUD, the amount you pay is included in your cost base (see example 1). If you acquire a crypto asset by exchanging it for another crypto asset, your cost base is the market value in A\$ of the crypto you used at the time you purchased the coin (see example 2).

**Note:** You can use a current year net capital loss to reduce your future capital gains. Report the loss in your tax return so you have it available for future investments.

### 3 Keep records

You need to keep records of all your transactions associated with acquiring, holding and disposing of crypto assets. You need to keep records for 5 years after you dispose of your crypto.

Buying (acquiring)	Owning (holding)	Selling (disposing)
<ul style="list-style-type: none"> <li>• receipts of transactions</li> <li>• documents that display:                             <ul style="list-style-type: none"> <li>– the crypto asset</li> <li>– the purchase price in A\$</li> <li>– the date and time of the transaction</li> <li>– what the transaction was for</li> </ul> </li> <li>• commission or brokerage fees on the purchase</li> <li>• agent, accountant and legal costs</li> <li>• exchange records</li> </ul>	<ul style="list-style-type: none"> <li>• software costs related to managing your tax affairs</li> <li>• digital wallet records and keys</li> <li>• documents that show the date and quantity of crypto assets received via staking or airdrop</li> </ul>	<ul style="list-style-type: none"> <li>• receipts of sale or transfer</li> <li>• documents that display:                             <ul style="list-style-type: none"> <li>– the crypto asset</li> <li>– the sale or transfer price in A\$</li> <li>– the date and time of the transaction</li> <li>– what the transaction was for</li> </ul> </li> <li>• commission or brokerage fees on the sale or transfer</li> <li>• exchange records</li> <li>• calculation of capital gain or capital loss</li> </ul>

#### To help calculate any capital gain or loss:

- Set up an easy-to-use record keeping system as a priority. This can be as a simple as a spreadsheet, or you can use professional software.
- Scan digital copies of your records to make it easier to store and access them.

#### Personal use assets and crypto assets

A crypto asset is not a personal use asset if it's kept or used mainly as either:

- an investment
- part of a profit-making scheme
- while carrying on a business.

In most situations, crypto is not a personal use asset and will be subject to capital gains. However, limited exceptions apply.

Crypto is a personal use asset if it's kept or used mainly to purchase items for personal use or consumption (see example 3).

The longer you hold crypto, the less likely we consider it a personal use asset.

**Note:** Only the capital gains you make from disposing of personal use crypto acquired for less than \$10,000 are disregarded for capital gains tax purposes.

### Example 1: disposing of crypto assets purchased with fiat currency

(a currency established by a country's government regulation or law)

Tim purchased 400 XRP for **\$800** AUD. A few days later Tim exchanged his 400 XRP for 2 Ether (ETH). Tim needs to report his capital gain or capital loss from the disposal of the crypto (XRP) in his tax return.

Tim's receipt shows he:

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

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

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

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

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

$$\$900 - \$805 = \$95$$

Tim is not eligible for a CGT discount or exemption.

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

### Example 2: exchanging crypto assets for other crypto assets

A few months later, Tim exchanged his 2 Ether (ETH) for 0.08 YFI.

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

Tim's exchange charges him a **\$10** brokerage fee to trade 2 ETH for 0.08 YFI.

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

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

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

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

Tim isn't eligible for a discount or exemption.

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

### Example 3: personal use asset

Josh pays \$50 to acquire crypto assets each fortnight to buy computer games. Josh uses the crypto in the same fortnight to enter directly into transactions (there is no conversion to a fiat currency first) to buy computer games. Josh doesn't hold any other crypto.

In one fortnight, Josh sees a computer game he wants to buy from an online retailer that doesn't accept crypto. Josh uses an online payment gateway to buy the game.

In these circumstances, the crypto (including the amount used through the online payment gateway) is a personal use asset for this isolated transaction.

### Example 4: investment in crypto assets

Rose buys crypto assets with the intention of selling later at a favourable exchange rate. She decides to buy some goods and services directly with some of her crypto. Because Rose's intention was to use the crypto as an investment, the disposed crypto isn't a personal use asset.

**i** This is a general summary only.

For more information go to [ato.gov.au/cryptoassets](https://ato.gov.au/cryptoassets)

If you need help working out your capital gain go to [ato.gov.au/CGT](https://ato.gov.au/CGT)

