Personal use assets and cryptocurrency

Cryptocurrency is not a personal use asset if it is kept or used mainly as either:

- an investment
- part of a profit-making scheme
- in the course of carrying on a business.

Cryptocurrency is a personal use asset if you:

- acquire and use it within a short period of time
- directly exchange it for items you personally use or consume (see example 3).

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

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

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

Example 1: disposing of cryptocurrency purchased with fiat currency (a currency established by a country's government regulation or law)

Tim purchases 400 USD Tether (USDT) for **$800** AUD. A few days later Tim exchanges his 400 USDT for 2 Ether (ETH). Tim needs to report his capital gain or loss from the disposal of the cryptocurrency (USDT) in his tax return.

Tim's receipt shows he:

- used **$800** AUD to purchase 400 USDT
- 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 does not include prices in AUD. According to his exchange records, Tim exchanged 400 USDT for 2 ETH on 25/06/2019 at 1:30pm.

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

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

Tim is not eligible for a discount or exemption.

Tim reports a net capital gain of **$95** in his 2019 tax return.

Example 2: exchanging a cryptocurrency for another cryptocurrency

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

Tim's exchange records show he acquired 2 ETH on 25/06/2019 at 1:30pm for 400 USD Tether (USDT). At the time of the transaction, the USDT had a market value of **$900** AUD.

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

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

Tim's exchange provides a receipt for the acquisition 0.08 BTC but it does not include prices in AUD. Tim's receipt shows he disposed of his 2 ETH for 0.08 BTC on 13/07/2019 at 2:00pm.

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

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

Tim is not eligible for a discount or exemption.

Tim reports a net capital gain of **$145** in his 2020 tax return.

Example 3: personal use asset

Josh pays **$50** to acquire cryptocurrency each fortnight. During each of the same fortnights, he uses the cryptocurrency to enter directly into transactions (there is no conversion to a fiat currency first) to acquire computer games. Josh does not hold any other cryptocurrency.

In one fortnight, Josh sees a computer game he wants to buy from an online retailer that doesn't accept cryptocurrency. Josh uses an online payment gateway to purchase the game. In these circumstances, the cryptocurrency (including the amount used through the online payment gateway) is a personal use asset for this isolated transaction.

Example 4: investment in cryptocurrency

Rose has purchased cryptocurrency with the intention of selling at a favorable exchange rate. She decides to buy some goods and services directly with some of her cryptocurrency. Because Rose uses the cryptocurrency as an investment, the cryptocurrency is not a personal use asset.

This is a general summary only

For more information go to ato.gov.au/cryptocurrency and if you need help working out your capital gain go to ato.gov.au/CGT

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