



If you own Bitcoin, or any other crypto currency, you may have been the beneficiary of Donald Trump's election as President last November – which saw Bitcoin prices jump by almost 50% almost immediately after the election (and certainly in the following weeks).

And if you decided to take advantage of this and realise your gain by selling your Bitcoin you may have a capital gains tax (CGT) problem, and a nasty one at that (albeit, it is only a tax problem – it is not a “no-profit” problem!).

So, if you have made a capital gain, you should consider a few things.

Firstly, the Tax Office's data matching capabilities regarding the buying and selling of Bitcoin are very extensive (and very good) – so, any idea of just not declaring your gain would bring with it big risks.

Secondly, like anything to do with tax, keep good records of your dealings with Bitcoin: it is both a legal requirement and will help you manage your tax affairs.

Thirdly, if you also have capital losses from your dealings in Bitcoin (or any other CGT assets) in either this income year or previous ones, you can use those losses to reduce any assessable capital gains from Bitcoin – and this will result in less tax being payable.

And the same rules applies to using any current or prior-year “revenue” or trading losses you have from any other activities. They too can be used to reduce your capital gains from Bitcoin.

Fourthly, and importantly, like most capital gains from other assets, you are entitled to use the 50% discount to reduce the amount of assessable capital gain – provided you have owned the Bitcoin for more than 12 months.

Finally, don't forget that if you become a foreign resident for tax purposes you will be deemed to have sold your Bitcoin for its market value at the time you left the country – or the CGT rules will subject you to Australian CGT if you sell it while you are overseas. (And don't forget about the ATO's extensive data matching capability in this regard!)

However, all this assumes you aren't in the business of trading in Bitcoin. If this were the case you would generally be taxed on your profits as ordinary business or other income – without the benefit of the accompanying concessions.

The other thing to be wary of is that the ATO has specific guidelines about how it treats Bitcoin and these can be difficult to apply to a particular situation.

So, if you have a “Bitcoin problem”, come and speak to us about it – and we will help you get things right (and maybe even find a legitimate way to reduce the ultimate tax payable on it). 

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This information has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs.