

2021 Cryptocurrency and NFT Checklist

The Australian Taxation Office (ATO) is concerned that many taxpayers believe their cryptocurrency and NFT gains are tax free or only taxable when the holdings are cashed back into Australian dollars which is not the case. It comes as no surprise that this is one of the areas the ATO are focusing on this year with the ATO matching data from cryptocurrency designated service providers to individuals' tax returns, to ensure investors are paying the right amount of tax.

Gains or profits from cryptocurrency and non-fungible tokens (NFT's) are similar to gains from other investments, such as shares. Generally, as an investor, if you buy, sell, swap for fiat currency, or exchange one cryptocurrency for another, it will be subject to capital gains tax (CGT) and must be reported even if it remains in your virtual wallet.

Holding a cryptocurrency for at least 12 months as an investment may mean you are entitled to a CGT discount if you have made a capital gain.

If you make a capital loss, it can be applied to capital gains in the same income year or applied against future year capital gains if none are available in the year of the capital loss.

Alternatively if you are in the business of trading in cryptocurrencies or NFT's, then the CGT rules may not apply in your circumstances. In this case any profit that you make will be assessable as business income.

Holding costs such as interest on loans used to purchase these assets and sale costs such as trading fees will reduce any capital gain or profit made.

Cryptocurrency and NFT transactions to be included in your tax return

- Exchange one cryptocurrency for another cryptocurrency (even if the new cryptocurrency remains in your wallet).
- Trade, sell or gift cryptocurrency.
- Convert cryptocurrency to a fiat currency, for example to Australian dollars.

Please bring with you the following information / documents to your appointment as applicable

- Dates of all transactions (including purchase and disposals)
- Value in Australian dollars at the time of the transactions
- What the transactions were for
- Who the other party was, even if it's just their wallet address
- If you are in the business of cryptocurrency trading, we would also need the value of your portfolio as at 30 June each year. This can be measured at cost or market value.
- We will also need to see details in relation your purchase of the cryptocurrency that is being disposed of. So if you haven't already provided that to us, please bring that with you to your appointment also.
- Loan statements showing borrowings used to purchase your cryptocurrency or NFT's. Interest is only taken into account for the portion of the loan that has been used to purchase the cryptocurrency or NFT. Therefore if the loan is for joint purposes adjustments will need to be made to your interest claim so it is best to bring in the entire loan statement for the year.

As a focus area for the ATO this year, it is important that you maintain good records and include all applicable income in relation Cryptocurrency Transaction in your tax return.

For most purposes a simple spreadsheet showing a summary of the transactions will suffice, but be sure to confirm these details via the data from your trading platform or exchange to make sure nothing is missed.