



CRA Bitcoin Tax: Is This Happening?

Description

Cryptocurrencies might have been put on the backburner this year due to the advent of a [global health crisis](#). Still, the likes of Bitcoin remain relevant. With the increasing adoption of cryptocurrencies like Bitcoin, you might be wondering about the tax implications of the decentralized digital currency.

The Canada Revenue Agency (CRA) has not explicitly addressed the issue of the Bitcoin tax in its Interpretation Bulletins or Information Circulars. However, it has discussed income tax rulings and technical interpretation to determine how transactions using cryptocurrencies are liable to taxation.

While we're yet to see a CRA Bitcoin Tax come into effect, the cryptocurrency can be taxed based on how it's used.

Bitcoin as a commodity

The CRA considers cryptocurrencies like Bitcoin as commodities when it comes to the purposes of the Income Tax Act. The government agency typically treats income from transactions using Bitcoin as capital gains or business income based on the circumstances of the transaction.

Taxpayers have to establish if any of their cryptocurrency activity is resulting in capital or income, since it affects how their revenue will be considered for income tax purposes.

Not all transactions with Bitcoin may count as business income or capital gains.

Bitcoin as barter transactions

Suppose you use cryptocurrencies to pay for goods or services to a provider willing to exchange their goods or services for a specific amount of Bitcoin. In that case, the CRA will consider it as a barter transaction for income tax purposes. A barter transaction occurs when two parties exchange goods or services while carrying out the exchange without using legal currency.

Generally, the CRA will likely consider the value of such cryptocurrency transactions based on the value of the goods and services rather than the highest price of that amount of cryptocurrency on the market.

There is still a lot of work that needs to be done to clearly define the tax implications of cryptocurrencies and how they are used. The concept of cryptocurrencies was to create a financial system separate from governments and countries, to have a decentralized regulatory system. It remains to be seen whether that may come to pass, and confusion with taxation will likely continue.

Canadian cryptocurrency stock

Investors interested in cryptocurrencies but worried about getting caught on the wrong side of things when it comes to cryptocurrency taxation could opt for securities like **Hut 8 Mining** (TSXV:HUT). Hut 8 Mining is a cryptocurrency mining company that has been generating revenue through mining Bitcoin.

The company has mined more than 12,300 Bitcoin since its inception and kept almost 3,500 Bitcoin for itself. It is impossible to provide a current figure that reflects the value of Bitcoin it holds due to the volatility of the cryptocurrency. However, the valuation of Bitcoin at writing is \$24,529.84. At this valuation, the Alberta-based crypto mining company owns more than \$85.7 million worth of Bitcoin.

Foolish takeaway

I think that there are better ways to invest in the tech gold rush. Several [high-quality tech stocks](#) are trading on the TSX with more reliable prospects for returns than volatile digital currencies with no inherent value.

If you are an investor seeking Bitcoin exposure without getting caught up in confusing tax situations, you can consider investing in a crypto stock like Hut 8. Any tax implications for owning shares in Hut 8 will be standard for any securities you own in your investment portfolio.

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