



Canadian Revenue Agency: Keeping a Close Eye on Crypto Traders

Description

While cryptocurrencies like Bitcoin aren't exactly a "new thing," the regulations and laws around them are still playing catch up to their rising popularity. Crypto trading and investing have become the norm, and several trading and investing platforms have started offering crypto trading services in Canada alone.

There are no laws against trading cryptocurrencies or their long-term investing, as long as you abide by the regulations and pay the relevant taxes. If you are [trading crypto](#), the income you generate can be taxed in two ways: Business income or capital gains tax.

The tax treatment and resultant tax revenue would be significantly different, so the CRA will strive to ensure that the crypto traders stay truthful when filing their crypto transactions. This is probably the reason that the CRA started (and won) a court battle with Coinsquare, a major cryptocurrency trading platform in Canada.

The CRA and Coinsquare

The CRA recently won a case against Coinsquare in a federal court, which resulted in a deal between the taxation agency and the company. The deal is that Coinsquare will share detailed information regarding the transaction activity and trading history of 16,500 of its largest accounts for each year between 2014 and 2020. It will also share details of any trading account that held \$20,000 or more in any given year between 2014 and 2020 (or cumulatively).

The company considers this deal a partial success because it will only be forced to disclose data on 5% to 10% of its clients. The remaining clientele will remain covered under the umbrella of privacy.

This data will probably help the CRA identify whether these traders were truthful in their tax filings regarding their crypto trading/investing activities. If the department penalizes some crypto traders because they filed for capital gains tax when they *should* have filed for business income tax, it might serve as a warning for all the crypto traders.

Try the ETF

If you want exposure to the crypto market but in an asset “medium” that you are more familiar with, consider investing in the **Purpose Bitcoin CAD ETF** ([TSX:BTCC.B](#)). [The fund](#) is made up of actual Bitcoins (about 14743 of them), so you’ll have maximum direct exposure to the underlying asset. That’s different from investing in Bitcoin via mining or Blockchain companies.

The ETF is a more affordable way of investing in Bitcoin, as one unit is currently trading at \$10.9 per share. It started trading a bit over a month ago, and it’s up 5% since then. For many stock investors, the ETF might be more familiar territory. And the best part is that you won’t have to worry about it being taxed at all if you keep the ETF in a tax-sheltered RRSP or TFSA.

Foolish takeaway

Despite the fact that the CRA tries to keep every tax rule and tax implications of different activities in black and white, some grey areas still exist. An example would be the frequency “threshold” of Bitcoin trading/investing, above which it might be considered business income, and you can enjoy capital gains tax if you are below the threshold. It’s prudent to lean on the side of caution, do your research, or consult a professional before “assuming” how your Bitcoin transactions would be taxed.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BTCC.B (Purpose Bitcoin ETF)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

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