



## Canada Revenue Agency: 3 Ways to Save Bitcoin Gains From the CRA's Claws

### Description

Do you know the Canada Revenue Agency (CRA) can levy tax on all the wealth you accumulated from Bitcoin and other cryptocurrencies? Even though crypto is unregulated, it becomes taxable when you convert digital gold into fiat currency. Let me explain how. Many people mine or buy BTC as an alternative investment. They hold BTC hoping to sell it when its price rises. The profit or loss they make from the difference come under the CRA tax purview.

### How the CRA can tax your Bitcoin gains

Assuming you make a profit on Bitcoin, you can either use it to buy another cryptocurrency like Ethereum or encash it in fiat currency. In both cases, you have to report the income to the CRA.

In the first case where you exchange BTC for Ethereum, you can calculate the value of BTC in Canadian dollars on the transaction date and subtract it with the cost at which you bought Ethereum. To arrive at the BTC value, you can look at the exchange rate from a crypto exchange. But ensure you use the rate of the same crypto exchange for all your crypto transactions. In the second case, you can arrive at the transaction value in the same way.

The key is to correctly [determine](#) whether the crypto gain is business income or capital gain. For instance, any crypto gain will be a business income for a crypto trader, crypto miner, or crypto exchange. But if you used crypto for investment and had limited transactions, it might be considered a capital gain.

You have to add this income to your taxable income and accordingly bear the capital gain tax or business tax.

### How to save crypto gain from the CRA's claws

The CRA doesn't allow you to buy or sell BTC through registered accounts like the Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSP). These registered accounts bring tax benefits. But you can buy ETFs and stocks trading on popular stock exchanges. Here are three ways you can indirectly invest in BTC through the TFSA/RRSP and save the crypto gains from the CRA

taxes.

## The Bitcoin ETF

The most direct way of getting exposure to BTC is through **Purpose Bitcoin CAD ETF** ([TSX:BTCC.B](#)). Think of it like your treasurer. The [ETF](#) buys and stores BTC and converts its BTC vault into units. Each Purpose ETF unit represents 0.0001696 BTC. Now, you can't go and exchange your ETF unit for BTC, but you can trade these units on the stock exchange. The value of these ETF units moves in tandem with the price of BTC.

Between February 18 and April 15, the Purpose ETF surged 18%, while the BTC price surged 18.7%. Since then, BTC and the ETF have declined. If you invest in BTC through the ETF, this 18% gain becomes tax-free in the TFSA, and you only have to pay a 1% asset management fee.

## Bitcoin mining stock

Another alternative to investing in BTC in a tax-efficient way is by buying stocks of crypto mining companies like **Hive Blockchain Technologies** ([TSXV:HIVE](#)). Hive mines Bitcoin and Ethereum, giving you a diversified effect. It earns revenue by processing transactions on the blockchain and selling the crypto it has mined and stored as inventory.

Its stock price moves alongside the BTC and Ethereum prices. For instance, between February 18 and April 15, Hive stock fell 22%, while BTC price surged 18.7%. But the stock surged 183% between February 1 and 18.

## Payment-processing firms

Recently, many companies started processing and accepting crypto payments. The payment-processing firm earns money through commission on every transaction. As crypto transactions have a high value, they tend to give higher commissions. You might have heard about **PayPal** and **Square** processing crypto transactions. But now you have a Canadian alternative **Nuvei** ([TSX:NVEI](#)).

Nuvei started trading on the TSX in mid-September 2020. It provides payment technology solutions to merchants and partners worldwide and has benefitted from the high volume of e-commerce transactions. It has acquired the FinTech and cryptocurrency start-up Simplex to grow its alternative payment offerings. Even if the crypto frenzy ends, Nuvei will benefit from the e-commerce growth.

### CATEGORY

1. Investing
2. Personal Finance
3. Tech Stocks

### TICKERS GLOBAL

1. TSX:BTCC.B (Purpose Bitcoin ETF)
2. TSX:NVEI (Nuvei Corporation)

3. TSXV:HIVE (Hive Blockchain Technologies)

## **PARTNER-FEEDS**

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

## **Category**

1. Investing
2. Personal Finance
3. Tech Stocks

## **Date**

2025/08/26

## **Date Created**

2021/05/13

## **Author**

pujatayal

default watermark

default watermark