



## The CRA Is Coming After Crypto Profits

### Description

The CRA is getting serious about taxing crypto profits.

After a lengthy court battle, the agency won the right to demand customer data from **Coinsquare**, a cryptocurrency exchange. As a result, 5-10% of the exchange's largest Canadian customers will have their account data handed over to the CRA. And they won't be the last to have the CRA scrutinizing their accounts. With this ruling, the precedent has been established that the CRA can pull data on Canadians' crypto transactions — not just from Coinsquare, but from all exchanges. The result will be more crypto traders having to pay up their share of taxes.

### What the CRA won

As a result of the [federal court ruling](#), the CRA won the right to

- A list of active and inactive customer accounts;
- A list of all cryptocurrency transfers and related data (e.g., transaction IDs); and
- A list of all customer trading activity, including off-exchange trades.

It was a big win for the CRA. But even more significant is its implications for crypto investors. The CRA fought a long legal battle to get this data. This shows that the agency is aware of the money people are making trading crypto and is looking to tax it. It has always been the CRA's policy to tax investments — including cryptocurrency. But until now, the agency hasn't moved aggressively to find crypto transactions. The recent court case shows that that's changing.

### How much tax could you pay?

If you're a crypto trader wondering how much tax you'll have to pay on your gains, you should speak with an accountant. Ultimately, it depends on how large your gain was, how much you sold, your marginal tax rate, and other factors.

One thing is certain though: the CRA views crypto profits as *capital gains*. This means that any money you make trading crypto is subject to capital gains tax. Capital gains are taxed less than regular income in Canada. When you realize a gain, you pay your marginal tax rate on *half* of the gain. So, it's about half of the tax you'd normally pay on the same amount of employment income. That's pretty good news if you're a crypto trader looking to save on taxes. But you can do much better, as I'll show in the next section.

## How to pay ZERO taxes on crypto profits

If you *really* want to pay as little tax as possible on crypto profits, you could consider [holding crypto ETFs](#) like **Purpose Bitcoin ETF** ([TSX:BTCC.B](#)) in a TFSA.

BTCC.B is a stock market traded Bitcoin alternative. You pay the fund's managers a 1% fee every year to hold your Bitcoin for you. On a \$100,000 position in the fund, you'd pay \$1,000 in fees every year. That might sound steep. But the benefit of holding a crypto ETF is that you can hold it in a TFSA. A TFSA is a special tax-free account that spares your investments from taxation. If you hold BTCC.B in a TFSA, you pay no taxes on it whatsoever. That will save you far more money than you spend on the 1% annual management fee. And in the end, it's the amount of your return you take home that really counts.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

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

### PARTNER-FEEDS

1. Business Insider
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