



3 Ways to Invest in Bitcoin Tax-Free!

Description

If you invest in Bitcoin in 2021, you're likely to be taxed.

According to the Canada Revenue Agency, Bitcoin is a taxable asset, subject to capital gains tax. That means that when you sell it, 50% of your gain is taxed at your marginal rate.

For 90% of Bitcoin holders, these taxes are just a fact of life. For a while, the opaque nature of the crypto scene provided cover for those hoping to *avoid* Bitcoin taxes. It wasn't easy for the CRA to pull crypto records, so you could just keep your holdings secret. That all changed recently when the CRA won a lawsuit forcing a major exchange to [hand over customer data](#). Because of the precedent set, the CRA now has unquestioned authority to get data on crypto holders' accounts.

So there is no easy way to avoid taxes on crypto holdings. You could theoretically hold Bitcoin in a Tax-Free Savings Account (TFSA), but most banks don't allow it. With that said, there is a fairly easy way to get some Bitcoin exposure in your TFSA and save on taxes. By buying stock market traded Bitcoin proxies, you can enjoy returns that are highly correlated with Bitcoin. Some of these "proxies" in fact are basically 100% Bitcoin pure plays. In this article, I'll explore three such investments you can make to hold crypto tax-free.

Purpose Bitcoin ETF

The **Purpose Bitcoin ETF** ([TSX:BTCC.B](#)) is a [Canadian crypto ETF](#). Unlike most ETFs, it is not a diversified fund consisting of many assets. Rather, it just holds Bitcoin. In exchange for holding your Bitcoin for you, the fund charges a fee that can run from 1% to 1.5% per year. Now, you might be shaking your head at that and saying, "*Why would I pay such a fee when I can just hold BTC myself?*" The answer is tax efficiency. Since BTCC.B trades on the **Toronto Stock Exchange**, you can easily hold it in a TFSA and pay no taxes whatsoever. You still have the 1% fee, but that's less than the 15-25% you'd probably pay on taxes if you sold the crypto.

CI Galaxy Bitcoin ETF

The **CI Galaxy Bitcoin ETF** ([TSX:BTCX.B](#)) is another pure-play Bitcoin ETF like the Purpose Bitcoin ETF. It has much the same benefits: ease of purchase, TFSA tax savings, etc. But it does have one unique selling point: a lower fee. Whereas Purpose's fee maxes out at 1.5%, Galaxy advertises a 0.95% cap. So, it may be a better option. That's not necessarily the case, because sometimes higher fee funds have tighter bid-ask spreads, resulting in lower spread costs. Purpose does have a higher trading volume than BTCX, so that seems plausible. Still, this fund's low fee makes it worth researching.

HIVE Blockchain Technologies

Last but not least we have **HIVE Blockchain Technologies** ([TSXV:HIVE](#)). If you want to get really adventurous with your tax-free TFSA crypto plays, consider a crypto stock like this one. This is not a pure-play Bitcoin fund like BTCC or BTCX. Instead, it's a mining company, a business that mines Bitcoin and Ethereum for a profit. It uses low-climate data centres to mine crypto at the lowest possible cost.

Buying something like this is a bit riskier than directly holding crypto because you've got the risk of the business failing on top of the risks inherent to crypto. Still, it's one tax-free crypto trade worth considering.

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2. TSX:BTCX.B (CI Galaxy Bitcoin ETF)
3. TSXV:HIVE (Hive Blockchain Technologies)

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