



## 5 Situations the CRA Will Tax Crypto Investors

### Description

Canadians should be aware of the tax implications when investing in virtual assets. While the new form of currency is generally non-taxable, the guidance from the Canada Revenue Agency (CRA) is clear regarding the matter.

The CRA has no requirements on holding cryptos. However, the tax agency considers giving, selling, or transferring something as taxable events, and therefore, it includes virtual assets. Also, under the *Income Tax Act*, cryptos are commodities.

### Taxable events

The following are the types of crypto transactions on which the CRA will impose taxes:

1. Selling crypto assets
2. Cashing out cryptocurrencies into fiat currency
3. Trading a cryptocurrency for another (swaps, exchanges, and peer-to-peer trades)
4. Using cryptocurrency to pay for good and services
5. Giving crypto assets as gifts to family, relatives, and friends

People have a [fear of missing out](#) so they buy cryptos to make huge profits when they sell. Unfortunately, losses could be more due to the asset's inherent volatility. Since the profit from disposing or trading cryptos is either capital gain or business income, it's taxable. Taxpayers must keep accurate records of the transactions (purchase and sale) and report them when filing tax returns.

The CRA is also particular about barter transactions. That's an exchange of commodities when businesses provide services or sell goods, and accept cryptocurrency as payment. Even a single crypto transaction can constitute business income. Furthermore, cryptocurrency exchanges and mining operations are examples of crypto businesses.

Crypto investing is no different from stock trading because you buy low and sell high. Thus, you realize capital gain whenever you sell a crypto higher than your purchase price.

## Rising crypto investments

[Crypto investments](#) are rising in Canada despite the extreme volatility, especially **Bitcoin** ([CRYPTO:BTC](#)). The world's most popular cryptocurrency and first-mover in the space is on a roller-coaster ride in 2022. It sunk below US\$36,000 on January 23, 2022, or 46.3% lower than its peak in November 2021.

BTC staged a rally on February 15, 2022, but lost momentum quickly the following day. At US\$43,961.86, the crypto is down 5.1% year-to-date. Market analysts said the low volume is a sign of weak buying strength. Meanwhile, **Binance Coin** ([CRYPTO:BNB](#)) and **Solana** ([CRYPTO:SOL](#)) are attracting Canadians too.

BNB is the third-most popular crypto in the country after Bitcoin and **Ethereum**. It's the native or official token of Binance, which is one Canada's largest cryptocurrency exchanges. The crypto is also on a slump with its 16.4% year-to-date loss. BNB aids with payments for discounted trades and can be used for daily transactions.

Crypto players describe Solana as an [Ethereum-killer](#) because it can solve the problems of the second-most popular digital token. The launching of Solana Pay recently by Solana Labs could propel SOL. Wider adoption is possible if the payment platform can revolutionize merchant and customer interactions.

SOL rose to as high as US\$258.93 on November 6, 2022, but went on a tailspin after. It trades at US\$101.93 today, although the crypto is losing 40.1% year-to-date. A crypto winter is at hand, so it might be a good time to take positions now.

## Avoid penalties

Investors are responsible for reporting crypto transactions. The CRA can impose penalties and interest on crypto gains or income on taxpayers who fail to report them.

### CATEGORY

1. Cryptocurrency
2. Investing

### TICKERS GLOBAL

1. CRYPTO:BNB (BNB)
2. CRYPTO:SOL (Solana)

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