



How to Buy and Sell Cryptocurrency TAX FREE!

Description

Did you know that you can buy and sell cryptocurrency tax free?

It's not a well-publicized fact, but it's true.

You've probably heard by now that cryptocurrency is subject to capital gains tax in Canada. That means that any profit you realize by selling cryptocurrency is taxed at half your marginal tax rate. For direct cryptocurrency holdings, the story pretty much ends there.

But with other crypto products, the matter is a little different. Crypto products that trade on the stock market can be put in a Tax-Free Savings Account (TFSA), a special tax-free account that exempts your holdings from dividend and capital gains taxes. If you hold such products instead of holding crypto directly, you can buy and sell crypto without paying any taxes.

So, what is a good stock market traded crypto product that you can buy to take advantage of these tax efficiencies?

Crypto ETFs

Crypto ETFs are trusts that hold cryptocurrency. They [trade on the stock market](#) and are legally identical to [any stock ETF](#) you can think of. The only difference is what they hold. Instead of stocks, crypto ETFs hold cryptocurrencies. Sometimes, they hold diversified portfolios of cryptocurrencies; other times, they hold individual cryptocurrencies.

The ones that hold just a single cryptocurrency are pretty much equivalent to holding that cryptocurrency directly. The only difference is that you pay the fund managers a fee. That theoretically eats into your return, but the tax savings you realize by holding such a fund in a TFSA may make up for it.

A few good ETFs to choose from

If you're looking to hold cryptocurrency tax free, there are many funds you can choose from.

One of the oldest is **Purpose Bitcoin ETF** ([TSX:BTCC.B](#)). The first Bitcoin fund in Canada, it is a pure play **Bitcoin** product. The fund's managers charge you a 1% annual fee to hold Bitcoin for you. In exchange, you get security, and the ability to easily hold your Bitcoin in a TFSA. If you realize a 50% gain on BTCC.B, the tax benefits of holding in a TFSA outweigh the 1% you pay to the fund's managers. So, if you plan to buy Bitcoin in order to sell it eventually, BTCC.B may be a good way to get exposure.

Likewise, you could look into **Purpose Ether ETF**. It's pretty much identical to BTCC.B, only it holds ETH instead of BTC. If you think that **Ethereum** is a better play than Bitcoin, you might want to consider holding this fund as an alternative to BTCC.B.

Ultimately, it's up to you which crypto fund you buy. In addition to the ones just mentioned, there are also crypto funds that hold diversified portfolios. These funds theoretically reduce your risk and also give you exposure to smaller cryptocurrencies that have more room to run than BTC or ETH do. The sky is the limit. Just make sure that if you buy a crypto fund, you hold it in a TFSA. It will save you money if should you ever cash out a gain.

CATEGORY

1. Cryptocurrency
2. 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. Smart News
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