Cryptocurrencies

A **cryptocurrency**, **crypto-currency**, or **crypto** is a digital currency that does not have any physical form like Australian Dollars, Indian Rupee, etc which we can touch physically to exchange them for goods and/or services.

Cryptocurrency is an online form of currency that is exchanged through computer network and which is not reliant on any central authority, such as a government or bank, to give the currency a value, and as such is a decentralised currency.



Like currencies used by various countries, there are different types of Crypto currencies, few among which are: **Bitcoin, Ethereum, Dogecoin, etc.**

The coins ***can be obtained*** through the following methods:

- **Mining** - Mining of crypto currency involves an extensive set-up of computer hardware that is used to solve complex mathematical problems, and on solving the problem, the reward is in the form of crypto currency.
- **Purchase with other currencies (foreign).**
- **Swap** - Conversion from another crypto-currency.
- **Airdrop** - Airdrops are a marketing tool that distribute crypto assets through a group of people to build their use and popularity. Some projects 'airdrop' new currencies to existing token holders as a way of increasing their supply.

  The money value of an established token you receive by airdrop is **ordinary income** at the time it received. This income need to be declared in the tax return as other income.

How to interpret wallet transactions:

Example 1

Transaction History

DATE	TYPE	COIN	AMOUNT	FEE (AUD)	TOTAL (AUD)
11/08/2021 10:26 PM	Sell	ETH/AUD	1	$44.01010101	$4,357

The above transaction says that **1 ETH was sold** and **AUD was received as consideration of $4,357 (net).** We need to calculate the CGT for the ETH event with the first in and first out method and need to reduce the quantity of the ETH from holdings.

Example 2

Transaction History

DATE	TYPE	COIN	AMOUNT	FEE (AUD)	TOTAL (AUD)
22/12/2021 11:26 PM	Sell	MATIC/CELO	50	$1.79159292	$177.37

In this case, the transaction denotes that **50 MATIC was sold** for $177.37 and CELO was received as a **consideration for $177.37**. The action to be done is we need to calculate CGT for the sale of MATIC, **reduce the quantity of MATIC** from holdings and **need to increase the quantity of CELO.**

Staking

Staking is when an individual lock crypto assets for a set period of time to help support the operation of a blockchain. In return for staking the crypto, individual will earn more cryptocurrency as a reward. We can consider these rewards as income in the year and record it in label 24.

Other income summary

Summary of any income you may have earnt from various crypto events during the tax year.

Staking	$195.11
Total	$195.11

Example: staking existing crypto assets

Airlie holds 50,000 Coin A tokens, which she stakes to a Coin A pool as a premium staker.

Airlie receives additional Coin A tokens when her pool participates in consensus. Airlie also receives a small payment of Coin A tokens from the node leader for supporting their node.

The money value of the additional Coin A tokens that Airlie receives is included in her ordinary assessable income at the time she receives the tokens.

The cost base of Airlie's additional Coin A tokens is their market value at the time she receives them.

How to calculate Capital gains/losses:

Example 1

When the Cryptocurrency are bought and sold in Australian Dollars.

Direct Buy and Sell of Crypto using AUD								
Transaction Date	**Type**	**Market**	**Amount**	**Rate inc. fee**	**Rate ex. fee**	**Fee AUD (inc GST)**	**Total AUD**	**Total (inc GST)**
10-05-2020 19:38	Buy	BTC/AUD	0.1385863	13,911.91	13,774.16836	19.09	1,928.00	1928.00 AUD
02-06-2020 10:48	Sell	BTC/AUD	0.1385863	14,901.71	15,052.23232	20.86	2,065.17	2065.1727 AUD
						Gains / (Loss)	**137.17**	

In this example, 0.1385863 BTC sold on 02.06.2020 for AUD consideration of $2,065.17. This was purchased for $1,928 on 10.05.2020. So, the Capital gains on the sale of 0.1385863 BTC is $137.17.

Example 2

When the Cryptocurrencies are bought in Australian Dollars, converted to another Cryptocurrencies and again sold for Australian Dollars.

ZIL Crypto bought in AUD and Converted to CRO coins								
Transaction Date	**Type**	**Market**	**Amount**	**Rate inc. fee**	**Rate ex. fee**	**Fee AUD (inc GST)**	**Total AUD**	**Total (inc GST)**
08-09-2021 12:19	Buy	ZIL/AUD	34193.4116	0.1462	0.1448	49.5	5,000.00	5000.00 AUD
07-01-2022 18:38	**Sell**	**ZIL/CRO**	**12000.0000**	**0.1295**	**0.1308**	**10.6**	**1,049.15**	**1554.4887 CRO**
25-01-2022 03:22	Sell	ZIL/AUD	22193.4116	0.0554	0.0560	12.43	1,230.49	1230.4915 AUD
						Gains / (Loss)	**(2,720.36)**	
CRO coins converted from ZIL sold for AUD								
07-01-2022 18:38	Transfer	ZIL/CRO	1554.4887	0.1295	0.1308	10.6	1049.15	
02-03-2022 02:13	Sell	CRO/AUD	1554.4887	0.5980	0.6040	9.39	929.51	929.5065 AUD
						Gains / (Loss)	**(119.64)**	

34,193.4116 ZIL purchased for $5,000 on 08.09.2021 and **sold in two parts as below**. **Total capital loss will be $2,720.36.**

- 12000 ZIL sold on 07.01.2022 for AUD $1,049.15 for which 1554.4887 CRO received as consideration **(Swap).**
- 22193.4116 ZIL sold on 25.01.2022 for AUD $1,230.49.

The cost of 1554.4887 CRO (received as Swap) is $1,049.15. This was sold on 02.03.2022 for AUD $929.51 and so capital loss will be $119.64.