



# GST and crypto assets

Detailed information about GST and crypto assets.

## GST and digital currency



How to determine if a crypto asset is digital currency for GST purposes.

## GST and digital currency as payment



What to do when you receive and use digital currency as payment for goods and services.

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# GST and digital currency

How to determine if a crypto asset is digital currency for GST purposes.

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## What is digital currency

Generally, digital currency is a type of **crypto asset** that uses cryptography and distributed ledger technology to secure and record transactions.

For GST purposes, digital currency is a digital unit of value that:

- is fully interchangeable with the same digital currency
- can be provided as payment
- is available to the public free of any substantial restrictions
- is either
  - not denominated in any country's currency
  - denominated in a currency that is not issued by, or under the authority of, an Australian or foreign government
- does not have a value that is derived from or is dependent on anything else
- does not give an entitlement to receive something else unless it is incidental to holding it or using it as payment
- if supplied, would not be an **input-taxed** financial supply for a reason other than being a supply of a digital currency or money.

Some examples of digital currencies include Bitcoin, Ethereum and Litecoin.

Things that are not digital currency include:

- loyalty points that can only be redeemed for goods and services under the loyalty scheme
- in-game tokens that cannot be used outside the game.

You may trade digital currency or use digital currency as payment in your GST-registered enterprise.

For common terms, see our [Crypto assets glossary](#).

## Crypto assets that are not digital currency

There are many types of crypto assets that are not digital currency. How you treat crypto assets for GST purposes will depend on their characteristics.

### Non-fungible tokens

A non-fungible token (NFT) is not a digital currency because it is unique and can't be interchanged with another NFT. The supply of a NFT is taxable unless it is GST-free.

### Stablecoins

A stablecoin that is pegged to the value of some other asset (such as a commodity or fiat currency) is not a digital currency. The supply of a stablecoin is an input-taxed financial supply unless it is GST-free.

### Initial coin offering

An initial coin offering is not digital currency if it:

- is a security, including a share or managed investment scheme
- is a derivative, or
- gives a right or entitlement to goods and services.

If an initial coin offering is a security or derivative, your supply will be an input-taxed financial supply unless it is GST-free.

If it gives a right or entitlement to goods and services, your supply of the initial coin offering will be taxable unless the entitlement is incidental or the supply is GST-free.

# GST and digital currency as payment

What to do when you receive and use digital currency as payment for goods and services.

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## Digital currency as payment for goods and services

Receiving or using digital currency to pay for goods and services in your GST-registered enterprise is the same as using money, but it is different to trading digital currency.

## Receiving digital currency

If you make a taxable supply and you receive digital currency as payment, the GST amount for that payment included in your business activity statement must be in **Australian dollars**.

Your **tax invoice** must meet the normal tax invoice requirements and include either:

- the GST payable in Australian dollars
- sufficient information to work out the GST payable in Australian dollars.

Examples of sufficient information includes the:

- price expressed in Australian dollars
- value expressed in Australian dollars, or
- conversion rate used by the supplier, or a statement, to work out the GST payable if it is not in Australian dollars.

## Using digital currency

If you use digital currency to make a purchase for your GST-registered enterprise and claim a **GST credit**, the GST amount of the credit in your business activity statement must be in **Australian dollars**.

To work out your GST credits, your tax invoice will include either:

- the GST amount in Australian dollars
- sufficient information to determine the GST amount in Australian dollars.

## How to convert digital currency

To work out the value of your digital currency for your business activity statement, you must use the exchange rate on the conversion day that applies to you.

### Exchange rate

If the exchange rate is in Australian dollars, you may choose to use the exchange rate:

- from a digital currency exchange or website, or
- agreed on between the supplier and the recipient.

If the exchange rate is in a foreign currency, you must convert the amount expressed in foreign currency to Australian dollars.

For the formula to convert foreign currency to Australian dollars, see *FOREX 2018/1 Goods and Services Tax: Foreign Currency Conversion Determination 2018*.

### Conversion day

The conversion day is the date you use to convert your digital currency into Australian dollars.

If you account for GST on a non-cash basis, your conversion day is determined by whichever happens first of either the:

- day you receive any of the payment
- transaction date or invoice date.

If you account for GST on a cash basis, your conversion day can be the transaction date, invoice date or the day you receive any of the payment.

### **Conversion day for non-resident entities**

For more information on determining your conversion day if you are a non-resident entity, see *DCC 2019/1 Goods and Services Tax: Digital Currency Conversion Determination 2019*.

#### **Example: accepting digital currency as payment for your services**

Kristin is registered for GST and accounts for GST on a cash basis. She makes taxable supplies of digital marketing services. Kristin accepts CostyCoin (a digital currency) as payment for her services.

Peter pays Kristin 2.5 CostyCoins (a digital currency) for her taxable supply of digital marketing services.

Kristin must report and pay GST on her taxable supply. When reporting and paying her GST, the amount must be in Australian dollars (AUD).

Kristin locates an exchange rate for CostyCoin quoted in AUD on Lock-In-Exchange Pty Ltd's website. Lock-In-Exchange is a digital currency exchange that provides exchange rates publicly.

Kristin's conversion day is the day the transaction took place. Lock-In-Exchange's exchange rate for 1 CostyCoin on the conversion day is \$2,200 AUD.

Kristin works out the GST inclusive value of the taxable supply to Peter:

$$2.5 \times \$2,200 = \$5,500.$$

Kristin must report \$5,500 in her activity statement and pay \$500 in GST. She also issues a tax invoice to Peter showing GST payable in Australian dollars of \$500.

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# GST and trading digital currency

Learn the GST treatment when you buy or sell digital currency.

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## Trading digital currency

If you trade digital currency in exchange for money or digital currency with an Australian resident who is located in Australia, your supply will be an **input-taxed** financial supply. You don't need to pay GST on input taxed supplies you make.

### **Example: selling digital currency to a resident located in Australia**

Adnan is buying and selling digital currency through an enterprise he carries on in Australia and is registered for GST.

Adnan sells CostyCoin (a digital currency) for Australian dollars to CoinWallet Pty Ltd, a digital currency exchange.

CoinWallet is an Australian resident company that is located in Australia and is registered for GST.

Adnan's supply of CostyCoin is an input taxed financial supply and he will not have to report and pay any GST for this supply.

## Trading digital currency with non-residents

If you trade digital currency in exchange for money or digital currency with a non-resident who isn't located in Australia, your supply will be GST-free.

If you trade digital currency through a digital currency exchange and you can't identify the counterparty, you may use the location of the digital currency exchange to treat a supply as GST-free if the exchange is not located in Australia.

You don't need to pay GST on any GST-free supplies you make.

### **Example: selling digital currency through a digital currency exchange located outside of Australia**

Roxy Trader Pty Ltd is registered for GST and sells CostyCoin (a digital currency) through Cran-exchange Inc, a digital currency exchange located outside of Australia.

Roxy Trader cannot identify the residency or location of the counterparty to its trades made through Cran-exchange.

Roxy Trader may use the location of the overseas exchange to treat its sales of CostyCoin as a GST-free supply.

Roxy Trader's supply of CostyCoin made through Cran-exchange is GST-free and they will not have to pay any GST for this supply.

## Registering for GST

You must register for GST if you make GST-free supplies of digital currency and you:

- carry on an enterprise, and
- exceed the GST turnover threshold.

If you only make input taxed supplies of digital currency, you don't need to register for GST.



If you don't exceed the GST turnover threshold, you may choose to register for GST if you're trading digital currency and carrying on an enterprise.

## Claiming GST credits

You can claim GST credits for making purchases related to your:

- GST-free supplies of digital currency.
- input taxed financial supplies of digital currency if you don't exceed the financial acquisitions threshold.

If you exceed the financial acquisitions threshold, you can claim reduced GST credits for certain reduced credit acquisitions.

### Example: expenses related to input taxed supplies

Digi-coin Pty Ltd is registered for GST and only makes input taxed supplies of CostyCoin (a digital currency) through CryptoP2P Pty Ltd.

CryptoP2P Pty Ltd charges a 1% transaction fee for every sale or purchase made through their platform. These fees include GST.

Digi-coin exceeds the financial acquisitions threshold because all its purchases relate to making input taxed financial supplies.

Digi-coin can't claim GST credits for the transaction fee.

For more information on claiming GST credits, see:

- *GSTR 2003/9 Goods and services tax: financial acquisitions threshold.*
- *GSTR 2004/1 Goods and services tax: reduced credit acquisitions.*
- Apportionment

# GST and digital currency exchanges

Work out how GST applies to digital currency exchanges.

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## What is a digital currency exchange

A digital currency exchange is an online trading platform that enables entities to trade crypto assets (other than non-fungible tokens) for fiat currency or other crypto assets.

Non-fungible tokens (NFT) are a type of crypto asset that are usually sold on NFT marketplaces and have different GST consequences. For more information, see [GST and NFTs](#).

A digital currency exchange may charge entities a trading fee for facilitating them in trading crypto assets. It may also buy and sell crypto assets with the traders directly.

## Digital currency exchanges facilitating crypto asset trades

If you are a digital currency exchange and you are registered for GST, or are required to be registered, you will have GST consequences when facilitating sales between buyers and sellers of crypto assets.

### Services to Australian residents

Your supply of facilitating trades of crypto assets will be **taxable** if you make the supply to an Australian resident located in Australia. You must report and pay GST on your taxable supply.

### Services to non-residents

Your supply of facilitating trades of crypto assets will be **GST-free** if you make the supply to a non-resident who is not located in Australia. You don't need to pay GST on any GST-free supplies you make.

### **Example: digital currency exchange operator facilitating trades between Australian and non-resident traders**

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Crypto P2P Pty Ltd is an Australian digital currency exchange operator that is registered for GST. Crypto P2P allows crypto asset traders to buy and sell directly with each other.

Crypto P2P charges a 1% trading fee to users trading with each other on their platform.

When a user registers for Crypto P2P's services, they provide information to identify their residency and location.

Danielle and Olivia register for Crypto P2P's services to trade CostyCoin (a digital currency) for Australian dollars with each other. Danielle is a non-resident located outside of Australia. Olivia is a resident located in Australia.

Crypto P2P's supply of their services to Danielle is GST-free and they will not have to report and pay GST on this supply. The supply to Olivia is taxable and Crypto P2P must report and pay GST on this supply.

## **Digital currency exchanges trading crypto assets**

If a digital currency exchange operator buys and sells crypto assets directly with traders, its supply will be an **input-taxed** financial supply unless it is a **GST-free supply**.

For more information on buying and selling, see [GST and trading digital currency](#).

### **Example: digital currency exchange operator trading crypto assets directly**

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CoinWallet Pty Ltd is an Australian digital currency exchange operator that is registered for GST. CoinWallet does not provide a trading platform where its users can buy and sell crypto assets with each other. Their users must buy and sell crypto assets directly with CoinWallet.

When a user registers with CoinWallet, they provide information to identify their residency and location.

Stephen and Alice register with CoinWallet to trade CostyCoin (a digital currency) for Australian dollars. Stephen is a non-resident located outside of Australia. Alice is an Australian resident located in Australia.

CoinWallet's supply of CostyCoin to Stephen is GST-free and they will not have to report and pay GST on this supply. CoinWallet's supply to Alice is an input-taxed financial supply and they will not have to report and pay GST on this supply.

## **Non-resident digital currency exchanges and GST registration**

You must register for GST if you're a non-resident entity operating a digital currency exchange and you:

- carry on an enterprise, and
- make supplies connected with Australia that exceed the GST turnover threshold.

## **Claiming GST credits**

You can claim GST credits for purchases related to making taxable or GST-free supplies if you operate a digital currency exchange and it is registered for GST.

You generally can't claim GST for purchases related to making an input taxed financial supply, however there are **some exceptions**.

You can claim GST credits if you make input taxed financial supplies of digital currency and you don't exceed the **financial acquisitions threshold**.

If you exceed the financial acquisitions threshold, you can claim reduced GST credits for certain **reduced credit acquisitions** listed in the GST regulations.

For more information on claiming GST credits, see:

- *GSTR 2003/9 Goods and services tax: financial acquisitions threshold*
- *GSTR 2004/1 Goods and services tax: reduced credit acquisitions*
- Apportionment

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