

# *The ABC's you should know*

*11 March 2022*

## *Crypto Assets and Tax*

### **What is it?**

A crypto asset is a digital representation of value that is not issued by a central bank, but is traded, transferred and stored electronically by natural and legal persons for the purpose of payment, investment and other forms of utility, and applies cryptography techniques in the underlying technology.

### **Do I need to pay tax on crypto assets?**

Yes, normal income tax rules apply to crypto assets and affected taxpayers need to declare crypto assets' gains or losses as part of their taxable income.

The onus is on taxpayers to declare all crypto assets-related taxable income in the tax year in which it is received or accrued. Failure to do so could result in interest and penalties.

### **How will it work?**

Following normal income tax rules, income received or accrued from crypto assets transactions can be taxed on revenue account under "gross income".

Alternatively, such gains may be regarded as capital in nature, as spelt out in the Eighth Schedule to the Act for taxation under the Capital Gains Tax (CGT) paradigm. Determination of whether an accrual or receipt is revenue or capital in nature is tested under existing jurisprudence (of which there is no shortage).

Taxpayers are also entitled to claim expenses associated with crypto assets accruals or receipts, provided such expenditure is incurred in the production of the taxpayer's income and for purposes of trade.

### **How is SARS tracing crypto asset transactions?**

Legislatively, SARS is granted a wide range of collection powers in terms of the Income Tax Act, including a requirement for third-party service providers to submit financial data. Enforcement and audit processes are confidential and not shared with members of the public.

### **What is my responsibility?**

The onus remains with you, the taxpayer and ABC client, to list this source of income along with your other sources of income and assets. We cannot assist you if you do not tell us you own crypto assets.