



myIR, payments and more

Individual income tax

Tāke moni whiwhi mō te takitahi

Questions & answers: Cryptocurrency and tax

Inland Revenue is considering a range of issues related to cryptocurrency now. We'll keep adding to this list as new information becomes available

1. Is cryptocurrency treated as a foreign currency for tax purposes?

No. For tax purposes, cryptocurrency is property, not currency. This means foreign currency gain or loss provisions do not apply.

2. My business accepts cryptocurrency as payment for goods and services. Do I have to pay income tax on it?

Yes. Cryptocurrency received as payment for goods or services is business income, which is taxable. This is seen as a barter transaction and you'll need to calculate the value of the cryptocurrency in New Zealand Dollars (NZD) at the time it's received.

Find out more about business income tax.

Find out more about converting cryptocurrency into New Zealand dollars.

3. I have received payment in cryptocurrency. How do I calculate the NZD equivalent?

If your cryptocurrency receipt is not converted into New Zealand dollars (NZD) straight away by a cryptocurrency merchant processor, you'll need to convert it to the NZD equivalent on the relevant date.

Conversion rates used must be from a reputable exchange with a reasonable trading volume.

For some 'alt coins' (cryptocurrency other than Bitcoin) it may be necessary to convert into US dollars, or any other fiat currency, and then convert into NZD. Rates can vary significantly between different exchanges and currencies. You must use a consistent exchange and conversion approach.

4. I purchased some cryptocurrency a few years ago. Will there be a capital or revenue (taxable) gain when I sell it?

It depends on your purpose for acquiring the cryptocurrency. Cryptocurrency is considered property for income tax purposes. Where you acquire cryptocurrency for the purpose of disposal (selling or exchanging it) the proceeds you make from selling it are taxable.

Bitcoin and similar cryptocurrencies generally don't produce an income stream or provide any benefits, except when they're sold or exchanged. This strongly suggests that cryptocurrencies are generally acquired with the purpose to sell or exchange them.

For income tax purposes, cryptocurrencies also have similar characteristics to gold bullion. We recently published a paper setting out when proceeds from the sale of gold bullion count as income, which may be of

assistance.

5. Does tax apply only when I cash out cryptocurrency into NZD?

No. Any disposal that creates a realised gain or loss needs to be recorded at the time it occurs.

'Disposal' includes swapping one type of cryptocurrency for another or exchanging cryptocurrency for New Zealand dollars or another fiat currency such as US dollars or Euros.

6. Do I need to keep records of my cryptocurrency transactions?

Yes. You must keep sufficient records to be able to determine your income and deductions. Standard seven year record keeping requirements apply.

If you are using mobile and desktop wallets and exchanges you should have access to your transaction history (deposits, transactions and withdrawals) and be able to export this in a commonly used file format like CSV. You should also retain your bank statements and cryptocurrency wallet addresses for verification purposes.

Some overseas software providers are developing accounting and tax reporting products for cryptocurrency customers. These apps and websites enable manual CSV exchange imports, automatic API exchange imports, automatic API wallet imports and CSV and Excel imports from exchanges. If you use third party software, make sure transactions are accounted for in a way that meets New Zealand tax law.

Find out more about keeping business records.

7. I haven't filed an income tax return before, what do I need to know?

Find out more about income tax returns.

8. I've sold cryptocurrency but haven't followed the tax guidance here, what should I do?

If you haven't got your tax right, let us know as soon as you can so it can be corrected. We call that making a voluntary disclosure.

Find out more about voluntary disclosures.

9. I'm planning an Initial Coin Offering. How can I get certainty about my tax treatment?

The tax implications of an Initial Coin Offering will depend on the unique features of the cryptocurrency being issued and how it's distributed.

You may want to consider applying for a binding ruling to gain certainty about tax requirements.

Find out more about binding rulings.

Mining cryptocurrency

1. I'm a cryptocurrency miner. Do I have to pay tax on receipts from mining cryptocurrencies?

Yes. We consider cryptocurrency mining to generally be an activity aimed at making a profit, not a hobby. Any mining-related fees or rewards are taxable income.

A cryptocurrency miner is a person who validates cryptocurrency transactions and maintains the ledger. In exchange for this service, they receive cryptocurrency.

2. I am mining cryptocurrency as part of a pool. How do I account for mining fees and rewards that I receive as a share from the pool?

Mining income is derived when the pool periodically distributes each miner's share.

3. What depreciation rate can I claim on cryptocurrency mining equipment?

See the Depreciation Rate Finder tool. 'Computers' is an 'asset category' for depreciation purposes.

Advice from other agencies

1. What advice have other agencies provided on cryptocurrency?

The Reserve Bank has published an analytical note on cryptocurrencies and the Financial Markets Authority has published commentary on Initial Coin Offerings and cryptocurrencies.

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