



Cryptocurrencies

In 2021, the world saw about \$15.8 trillion of cryptocurrency trading, with market participants trading Bitcoin, Ethereum, and a multitude of other “alt-coins”, making the digital asset more common to the average investor than ever before. Since the Canada Revenue Agency recognizes cryptocurrency as a commodity and not as a currency, there are tax implications to buying and selling cryptocurrencies that need to be considered when filing your personal tax returns.

BUYING/SELLING CRYPTOCURRENCIES – CAPITAL OR INCOME?

The determination of whether your cryptocurrency activities constitute business income or capital gains will depend on the nature and frequency of the transactions being undertaken. Capital gains treatment is favourable to investors when profits are generated as only one half of the capital gain is taxable. By contrast, the full amount of any business profits would be taxable on your personal tax return.

The following are common signs that you may be carrying on a business:

- you carry on activity for commercial reasons and in a commercially viable way;
- you undertake activities in a businesslike manner, which might include preparing a business plan and acquiring capital assets or inventory;
- you promote a product or service; or
- you show that you intend to make a profit, even if you are unlikely to do so in the short term.

Business activities normally involve some regularity or a repetitive process over time. Each situation has to be looked at separately. If you are unsure as to whether your cryptocurrency activities constitute a business or investment activities, please contact your Logan Katz tax advisor. You may also refer to the Canada Revenue Agency’s publication [Guide for Cryptocurrency Users](#) for more information.

CAPITAL TREATMENT

The event of selling a cryptocurrency is deemed to be a disposition of an asset and therefore a capital gain or loss will be recognized and reported on your personal income tax return in the year of sale. Due to the volatility of the purchase and sale price, and a lack of reporting resources in crypto wallets, determining the buy and sale price could be difficult. The CRA has verified an online service called Koinly’s ability to generate a gains/loss report based on your **2025** trading activity which can be used for tax preparation. If you have traded cryptocurrencies in the **2025** tax year, please use <https://koinly.io/> or similar services to generate a cryptocurrency gain/loss report to send to us with your tax information. The use of manual tracking done by the firm could result to an increase of tax preparation fees.

INCOME FROM CRYPTOCURRENCIES

Income earned via “gas fees”, forks, staking rewards, and other sources of cryptocurrency’s income not from trading are also subject to taxation in Canada. Like other investment income, they must generally be reported as investment income in your personal tax return. The Koinly service can generate an annual income summary which can be used to generate income reports. Caution should be noted, however, in that if you are involved in cryptocurrency mining, staking, or are trading frequently, the CRA may view both the trading activities and any derivative income as business income and not investment income if, in their view, the activities are carried on as an adventure or concern in the nature of trade. Where this is the case, the income is reclassified as business income.

If you mined cryptocurrencies in the **2025** fiscal year, the CRA would be consider any amounts received to be business income, which must be reported on form T2125 – *Statement of Business Income*. Where this is the case, you are also eligible to claim eligible expenses that were incurred to earn mining income (such as the cost of utilities) as business expenses in the computation of your net profit for tax purposes. Computer equipment (such as graphical processing units, or “GPUs”) purchased to mine cryptocurrencies would be classified as a capital expenditure and tax depreciation can be taken to reduce business income.

T1135 FILING FOR SPECIFIED FOREIGN PROPERTY IN AGGREGATE COST OF OVER \$100,000

Given the decentralized nature of cryptocurrency, it is difficult to determine where cryptocurrencies are held and if they are deemed to be domestic or foreign assets. If the aggregate cost of your cryptocurrencies and foreign holdings is more than \$100,000, we recommend reporting ALL of your cryptocurrency holdings on the T1135 to avoid the exposure to penalties from the CRA if they do deem that they should have been reported on a T1135. If this applies to you, please generate a holding summary at the end of the year on <https://koinly.io/> and send in with your tax information. Failing to file this form could result in a penalty of up to \$2,500 being assessed by CRA.