

TAXATION FOR CRYPTOCURRENCY

WHAT ARE CRYPTOCURRENCIES

Cryptocurrencies, also known as virtual currencies or crypto, is a new form of digital asset that can be used to buy goods and services. Unlike most currencies, crypto operates under a decentralized system, which means they are not controlled by one person or government. Bitcoin is an example of a popular cryptocurrency.

It is important to note that in November 2019 the Central Bank of Tanzania put out a public notice warning the public against dealing in Cryptocurrencies.



CRYPTO IS ACCOUNTED FOR AS PROPERTY



Whilst crypto like Bitcoin carry similar features to traditional currency (e.g. cash), they are considered property for tax purposes in most jurisdictions.

This means that they might give rise to capital gains tax or losses when disposed off for cash, traded or used to buy something.

CRYPTO MINING RESULTS IN TAXABLE INCOME

The term crypto mining means earning cryptocurrencies by solving cryptographic equations over the internet through the use of computers.

Many users earn additional income through this method. Any crypto earned as a result of this activity is considered taxable income for that respective period.



LOSS/THEFT OF CRYPTO CURRENCY

Similar to traditional currency, owners of crypto can be impacted by loss or theft of their virtual currency through various means.

However, unlike traditional currency, loss or theft of crypto can be reported as a capital loss. Due to the unique nature of the currency, any capital loss claims would have to be substantiated by very specific evidence.

CLOSING REMARKS.....

There has been a lot of attention on Crypto by regulators. Earlier this month, Nigeria's central bank announced a crackdown on cryptocurrency that appeared to make dealing on any exchanges illegal, citing issues with its volatility and opaqueness. South Africa's tax agency SARS has also reportedly set its sights on bitcoin traders, in the form of audits asking taxpayers to disclose any income derived from the crypto asset. It is therefore recommended that any looking to get involved should learn more about all legal and compliance implications.