

FAQs: Cryptocurrencies

| Question | | Answer |
|----------|---|---|
| Q1. | What is SARS' take on cryptocurrency; do you consider it a real currency? | Cryptocurrency is not considered to be legal tender; however your question relating to the current legal status of cryptocurrency would best be answered by the SA Reserve Bank. Visit www.resbank.co.za . |
| Q2. | How is cryptocurrency treated for tax purposes? | Transactions or speculation in cryptocurrency is subject to the general principles of South African tax law and taxed accordingly. We are unable to give you advice however, depending on the facts and circumstances of a case, capital gains tax or normal tax may apply. |
| Q3. | Is an individual who "mines" cryptocurrency as a trade or business subject to tax on the income derived from those activities? | Such income is subject to normal tax. The person may be liable to register as a provisional taxpayer if the total taxable income received exceeds the tax threshold for the financial year. |
| Q4. | Should a taxpayer who receives cryptocurrency as payment for goods or services include, in computing gross income, the fair market value of the cryptocurrency? | Yes, such income is subject to normal tax. |
| Q5. | Does cryptocurrency received by an independent contractor for performing services constitute self-employment income? | Such income is subject to normal tax. The person may be liable to register as a provisional taxpayer if the total taxable income received exceeds the tax threshold for the financial year. Deductions are allowed if it complies with the general income tax principles, such as whether expenditure is incurred in the production of income or for trade purposes. |
| Q6. | Does cryptocurrency paid by an employer, as remuneration for services, constitute wages for employment tax purposes? | Such income is considered to be remuneration for tax purposes and is subject to normal tax. |
| Q7. | Will taxpayers be subject to penalties for having treated a cryptocurrency transaction in a manner that is inconsistent with South African tax laws? | Taxpayers may be subject to penalties, depending on the behaviour involved. See Chapter 16, and section 223 specifically, of the Tax Administration Act, 2011. |

| | | |
|------|--|--|
| Q8. | What would be considered as acceptable proof of purchase and sale price? | Conventional receipts and /or invoices will suffice. |
| Q9. | Can the purchase price be either the price paid on date of purchase or as with shares the average of the year? | The purchase price is determined on the date of the earlier of receipt and accrual. Cryptocurrency is not regarded as a share and therefore SARS does not treat it as the average for the year. |
| Q10. | How is SARS going to trace cryptocurrencies such as Bitcoin transactions? | Legislatively, SARS is granted a wide range of collection powers in terms of the Income Tax Act. Enforcement and audit processes are confidential and not shared with members of the public. |
| Q11. | Does trace cryptocurrencies such as Bitcoin taxation apply retrospectively and the penalties to be imposed for non-compliance? | Transactions involving cryptocurrencies follow conventional tax principles. Thus, penalties and interest will be charged as normal. |
| Q12. | Are the expenses incurred in cryptocurrencies such as Bitcoin trading tax deductible or not? | Expenses incurred on cryptocurrencies are deductible on condition they meet all the requirements of the Income Tax Act. |
| Q13. | Cryptocurrencies such as Bitcoin is not a currency, nor an asset. How is it taxable? | We share your view that Bitcoin is not a currency for purposes of South African income tax; however, it is regarded as an asset for income tax purposes or trading stock. |
| Q14. | How do you declare cryptocurrencies such as Bitcoin trading on my Provisional Tax return (IRP6)? | The income or market value thereof forms part of total taxable income derived by the taxpayer in respect of the year of assessment for which the provisional tax is payable. |
| Q15. | How and where on the ITR12 form do I declare my cryptocurrency income? | Depending on the facts and circumstances of your case, capital gains tax or normal tax may apply. The taxpayer will declare such taxable income in the source code or tax return container field provided. |