

## **FAQs: Crypto assets**

### **Q1. What is SARS' take on crypto assets; do you consider it a real currency?**

Crypto assets is not considered to be legal tender; however your question relating to the current legal status of crypto assets would best be answered by the SA Reserve Bank. Visit [www.resbank.co.za](http://www.resbank.co.za).

### **Q2. How is crypto assets treated for tax purposes?**

Transactions or speculation in crypto assets 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" crypto assets 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 crypto assets as payment for goods or services include, in computing gross income, the value of the crypto assets?**

Yes, such income is subject to normal tax.

### **Q5. Does crypto assets 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 crypto assets 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 employees' tax/normal tax.

### **Q7. Will taxpayers be subject to penalties for having treated a crypto asset 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. Crypto assets are not regarded as shares and therefore SARS does not treat it as the average for the year.

**Q10. How is SARS going to trace 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.

**Q11. Where undeclared crypto asset transactions are discovered does taxation apply retrospectively and will there be penalties imposed for non-compliance?**

Transactions involving crypto assets follow conventional tax principles. Thus, penalties and interest will be charged as per the normal rules.

**Q12. Are the expenses incurred in crypto asset trading tax deductible or not?**

Expenses incurred on crypto asset trading are deductible on condition they meet all the requirements of the Income Tax Act.

**Q13. If a crypto asset is not a currency, nor an asset. How is it taxable?**

We share your view that crypto assets are not currency in the South African context; however, it is regarded as an asset/trading stock for tax purposes.

**Q14. How do I declare crypto asset trading on my Provisional Tax return (IRP6)?**

The receipts and/or accruals, less any deductible expenses, from trading in crypto assets forms part of taxable income derived by the taxpayer in respect of the year of assessment for which the provisional tax is payable, and must therefore be included in the amount declared on the IRP6.

**Q15. How and where on the ITR12 form do I declare my crypto asset 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.