

Crypto a ‘minefield’ of tax and regulation

TAX

Watch your step when dealing with digital assets and follow the ATO guidelines, accountants warned.

By [Malavika Santhebennur](#) • 16 November 2022 • 5 minute read

Crypto taxation and regulation is a “minefield”, so follow ATO guidelines to the letter or run the risk of a damaging CGT event, warns a finance company.

The founder of finance software provider Matias Group, Luke Matias, said the freewheeling attitude of early crypto investing had been consigned to the past.

“As crypto investing came to prominence in Australia through 2019 and 2020, solidified tax guidelines and legislation were not in place so there was almost an ignorance about declaring these investments to the ATO,” he said ahead of [Accountants Daily Strategy Day 2022](#).

“Now that there are guidelines on how digital assets need to be declared, this previous attitude needs to change immediately to counteract serious CGT implications on investors in the future.”

“This is a minefield.”

The federal government recently said it would step in to [tighten crypto regulation](#) to ensure it kept pace with developments.

Treasurer Jim Chalmers said that current regulation failed to strike the right balance between embracing technology and protecting consumers.

The first step would be to engage in token mapping, which would identify how crypto and related services should be regulated by creating a uniform set of terms for the assets.

The need for regulation has been brought into sharper focus with the collapse of one of the world’s largest crypto exchanges FTX last week (founded by CEO Sam Bankman-Fried).

This followed the collapse of Terra coin earlier this year, while crypto platform Celsius filed for bankruptcy protection after it also collapsed.

At the [Accountants Daily Strategy Day 2022](#), Mr Matias will show how accountants can offer a holistic approach to digital asset management, help clients minimise CGT on transactions, and what tokenising “real world assets” means for clients’ books.

Mr Matias said the need for instant gratification had popularised digital asset trading.

“This instant gratification is put in the hands of the investor, but perhaps without the requisite due diligence required for an investment,” he said.

Mr Matias said despite recent negative developments, accountants needed to be up to speed on crypto because so many Australians now owned some form of digital asset.

“Accountants who alter their mindsets now and understand how to facilitate and strategise their client’s digital taxation plans will find success in this segment,” he said.

With nearly [800,000](#) taxpayers having invested in cryptocurrency in recent years and 300,000 people investing for the first time in 2021 alone, the [ATO flagged a crackdown](#) earlier this year, saying tax treatments would differ depending on the circumstances.

Acting assistant commissioner Sylvia Gallagher said that three types of transactions should be recorded for assessing CGT: selling or gifting crypto, trading or exchanging crypto (including one digital currency for another), and converting crypto to a fiat currency such as the Australian dollar.

Mr Matias said accountants should help clients minimise crypto CGT implications and offset gains and losses well before the end of financial year cut-off to allow time to strategise on tax implications.

“Our financial year-end does not discriminate, whatever trades are made by 30 June are reported,” he warned.

“It does not matter if the market is down and you’re holding assets. Whatever trades are already sold/realised for that year get reported.”

Understanding why clients were investing in digital assets and educating them on their reporting obligations could help accountants strategise, Mr Matias said.

To hear more from Luke Matias about the digital asset revolution, the rapid rise of crypto investing, and its implications for accountants and their clients, come along to the Accountants Daily Strategy Day 2022.

It will be held on 29 November at Grand Hyatt Melbourne, and 1 December at Parkroyal Parramatta, Sydney.

[Click here to book your place and don’t miss out!](#)

[For more information including agenda and speakers, click here.](#)