

Taxation of Crypto-Asset Transactions

Part 02-01-03

Document last updated June 2024

Table of Contents

- Executive Summary 3
- “Cryptocurrency” 3
- 1 Direct Tax Treatment of Crypto-Assets 3
 - 1.1 Income Tax (IT) 4
 - 1.2 Corporation Tax (CT) 4
 - 1.3 Capital Gains Tax (CGT) on Chargeable Gains – Individuals 5
 - 1.4 CGT– Important Dates..... 6
 - 1.5 CGT and CT on Chargeable Gains 7
- 2 VAT Treatment of Bitcoin and similar Crypto-Assets 7
 - 2.1 Exchange of Cryptocurrency 7
 - 2.2 Supplies of Goods or Services 7
 - 2.3 Mining 7
- 3 Payroll Treatment of Crypto-Assets 7
- 4 Valuation of Crypto-Assets..... 8
- 5 Taxation of Crypto-Assets for PAYE (only) Employees 8
- 6 Capital Acquisitions Tax (CAT) – Gifts and Inheritances 8
- 7 Record Keeping 8
- 8 Remittance Basis for Non-Domiciled Individuals 9

Executive Summary

The purpose of this manual is to give guidance on the tax treatment of various transactions involving crypto-assets, including unregulated cryptocurrencies.

“Cryptocurrency”

The terms cryptocurrency / cryptocurrencies are not defined. While often referred to as a currency by many, their characteristics are more aligned to that of assets.

Although, the Irish Central Bank places cryptocurrencies, digital currencies, and virtual currencies into the same category of digital money, the majority of these “currencies” are unregulated and decentralised meaning no central bank guarantees them or controls their supply.

Throughout this document the term “crypto-asset” is used to refer to any digital representation of value or a right that can be transferred or stored electronically using distributed ledger technology or similar technology – this generally includes cryptocurrencies, crypto-assets, virtual currencies and digital money, or any variation of these terms¹.

The tax treatments outlined in this manual are for tax purposes only. They do not reflect on the treatment of crypto-assets for regulatory or other purposes.

1 Direct Tax Treatment of Crypto-Assets

The direct taxes are Corporation Tax (‘CT’), Income Tax (‘IT’) and Capital Gains Tax (‘CGT’).

As with any other activity, the treatment of income received from, or charges made in connection with, activities involving crypto-assets will depend on the activities and the parties involved.

The relevant legislation and case law must be applied to determine the correct tax treatment. Each case must be considered on the basis of its own individual facts and circumstances. The sale, transfer, or redemption of crypto-assets is most likely to be a disposal for CGT purposes unless, based on the facts and circumstances, there is a trade of dealing in crypto-assets being carried on.

For businesses which accept payment for goods or services in crypto-assets, there is no change to when revenue is recognised or how taxable profits are calculated.

¹ Where the digital currency is issued by a Central Bank and is effectively a digital representation of fiat currency (a CBDC), the contents of this manual will not apply and ordinary currency rules will apply instead.

Where there is a tax event arising on any transaction involving the use of crypto-assets, a taxpayer is required to keep proper records² of that transaction and the affect assets, similar to other transactions.

Therefore, no special tax rules for crypto-asset transactions are required. As such, the remainder of this manual provides some clarification on the issues that may arise in respect of crypto-assets.

1.1 Income Tax (IT)

The question of whether a trade of dealing in crypto-assets is taking place or has taken place depends on several factors and the individual circumstances. Whether an individual is engaged in a financial trade of buying and selling crypto-assets will ultimately be a question of fact.

It is often the case that individuals and companies entering into transactions relating to crypto-assets will describe the transaction as a 'trade'. The use of the word 'trade' in this context is not sufficient to be regarded as a financial trade for tax purposes. A trade in crypto-assets would be similar in nature to a trade in shares, securities, or other assets. Revenue has published guidance³ on trading in shares, securities, or other assets which is drawn from existing case law. This guidance should be consulted when making a decision whether the activity of buying and selling crypto-assets is trading.

Where a non-incorporated business makes a trading profit or loss on crypto-asset transactions this must be reflected in their accounts and will be taxable in accordance with normal IT rules⁴.

1.2 Corporation Tax (CT)

The profits and losses of a company entering into transactions involving crypto-assets would be reflected in accounts and, where they arise from a trade, will be taxable under normal CT rules.

Section 402(1) TCA 1997 defines a company's functional currency and recognises that companies can prepare their accounts in a currency other than the Euro where that other currency is their functional currency. As most cryptocurrencies are not a functional currency as defined, accounts, for tax purposes, cannot be prepared in cryptocurrencies: Euro or functional currency accounts must be prepared.

² Refer to [Tax and Duty Manual Part 38-03-17](#) for details on the Books and Records that should be kept in relation to transactions generally.

³ Refer to [Tax and Duty Manual Part 02-02-06](#) for details on how to determine if a person is carrying on a trade.

⁴ Individuals who carry on personal trades with low levels of activity (often known as passive trades) may also be subject to certain loss relief restrictions. Details on what constitutes a passive trade and the restriction are set out in [Tax and Duty Manual Part 12-01-02](#).

1.3 Capital Gains Tax (CGT) on Chargeable Gains – Individuals

CGT is a tax on gains that arise on the disposal of assets such as land, buildings, shares, and crypto-assets. This is not an exhaustive list and further guidance on CGT is available on [the CGT section of the Revenue website](#). Irish resident individuals are generally subject to CGT on gains arising on the disposal of assets.

In simple terms, the amount subject to CGT is calculated as the sales proceeds less the cost of the asset. Where the proceeds exceed the costs, the resulting figure is known as a chargeable gain.

The amount subject to CGT (if any) must be calculated separately on each asset on a disposal-by-disposal basis.

Where an individual incurs a loss on the disposal of an asset, that loss can (in most cases) be deducted from a chargeable gain in the same period. If the loss in a period is greater than total chargeable gains in that period, the remaining loss can be carried forward to future periods for use against future chargeable gains.

Each year, the first €1,270 of an individual's total chargeable gains (after deducting losses, if any) are exempt from CGT. This "annual personal exemption" can only be used to reduce a chargeable gain. For example, if an individual's total chargeable gains are less than €1,270 e.g. €960, the annual exemption is limited €960 only, the remaining €310 cannot be used.

Any remaining chargeable gain is taxed at the appropriate rate of CGT.

1.3.1 Example 1

John sold crypto-assets for €5,000 in 2024. He originally bought them for €4,500 in 2023.

CGT Computation 2024

| | |
|---|---------------|
| Sales proceeds | 5,000 |
| Cost of acquisition / market value at time of acquisition | (4,500) |
| Chargeable gain | 500 |
| Annual personal exemption | <u>(500)*</u> |
| Net chargeable gain (taxable amount) | 0 |

* Annual personal exemption is limited to the amount of the chargeable gain. If there are other chargeable gains arising in 2024, the remaining element of the exemption (€770- i.e. €1,270 - €500) can be used against those other chargeable gains.

1.3.2 Example 2

Mary sold crypto-assets for €15,000 in 2024. She had bought them for €4,500 in 2023. Mary had allowable losses carried forward from prior periods of €2,500.

CGT Computation 2024

| | |
|---|----------------|
| Sales proceeds | 15,000 |
| Cost of acquisition / market value at time of acquisition | <u>(4,500)</u> |
| Chargeable gain | 10,500 |
| Allowable losses forward | <u>(2,500)</u> |
| | 8,000 |
| Annual personal exemption | <u>(1,270)</u> |
| Net chargeable gain (taxable amount)* | 6,730 |

* The net chargeable gain is the amount of the sale proceeds that is chargeable to CGT.

1.3.3 Example 3

Dave had a large number of crypto-assets and shares that he had acquired over the years. In early 2021, Dave sold some of the shares realising a chargeable gain. Dave used the full amount of his annual personal exemption against this chargeable gain.

Later in the year, Dave used crypto-assets to purchase goods in a local café. This use of crypto-assets is a disposal for CGT purposes upon which Dave must calculate the gain arising, declare the gain to Revenue by filing a tax return and pay any CGT arising.

Note – these examples do not take account of expenses incurred in the buying or selling of assets, such as transaction fees or broker charges. Further guidance on [how to calculate CGT](#) can be obtained on www.revenue.ie.

1.4 CGT– Important Dates

There are two different periods for CGT purposes each year. The initial period starts on 1 January and ends on 30 November. The tax due for this period must be paid on or before 15 December of the same year. The latter period starts on 1 December and ends on 31 December. The tax due for this period must be paid on or before 31 January of the following year.

Ireland operates a self-assessment system of taxation. This means that the responsibility for registering for the appropriate tax, identifying, and paying the correct tax due, and the ultimate filing of a return rests with the taxpayer. The return on which you declare a chargeable gain is due on or before 31 October of the following year. (There is an extended filing deadline where a return is submitted using ROS (Revenue Online Service)). Further details on [when and how to pay your CGT](#) is available on the Revenue website.

1.4.1 Example 4

A chargeable gain arises on 1 May 2024. The amount of the gain (after using losses and personal exemption) is €6,000. As the chargeable gain arises in the initial period, the tax on this gain is due on or before 15 December 2024. The return associated with this gain is due on or before 31 October 2025.

1.5 CGT and CT on Chargeable Gains

If a profit or loss on a crypto-asset contract is not within trading profits of a business, Capital Gains Tax rules will apply to the disposal, with CT on chargeable gains applying to the disposals of capital by a company.

2 VAT Treatment of Bitcoin and similar Crypto-Assets

The Court of Justice of the European Union (CJEU) held in the Hedqvist case (C-264/14) that Bitcoin constitutes a currency for VAT purposes.

2.1 Exchange of Cryptocurrency

Financial services consisting of the exchange of bitcoins for traditional currency are exempt pursuant to Paragraph 6(1)(d) of the VAT Consolidation Act 2010, where the company performing the exchange acts as principal (i.e. buys and sells crypto-assets acting as the owner of the virtual asset).

2.2 Supplies of Goods or Services

VAT is due in the normal way from suppliers of any goods or services sold in exchange for bitcoin or other similar cryptocurrencies. The taxable amount for VAT purposes will be the Euro value of the cryptocurrencies at the time of the supply.

2.3 Mining

Income received from cryptocurrency mining activities will generally be outside the scope of VAT on the basis that the activity does not constitute an economic activity for VAT purposes.

3 Payroll Treatment of Crypto-Assets

Where emoluments payable to an employee or director are paid in crypto-assets, the value of the emoluments for the purposes of calculating payroll taxes is generally⁵ the Euro amount attaching to the crypto-asset at the time the payment is made to the employee or director. Returns to Revenue must be shown in Euro amounts and remittances made appropriately.

Where crypto-assets are provided to an employee or director free of charge or for a reduced amount, normal benefit-in-kind rules will apply⁶.

Where an employee or director is given a right or option to acquire assets by their employer, which may include crypto-assets, the tax treatment is similar to the right or option to acquire share options. The obligations of employees and employers when rights or options are granted and exercised are outlined in the Share Schemes manual⁷.

⁵ or the cost of the crypto asset to the employer, if higher.

⁶ [TDM Part 05-01-01](#)

⁷ [TDM Chapter 3](#) of the manual dealing with Share Schemes provides guidance on the taxation of share options.

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

[...]

4 Valuation of Crypto-Assets

Many crypto-assets, such as Bitcoin, are traded on a number of exchanges. Unlike shares or commodities, the value of the crypto-assets may vary between exchanges. Therefore, there is not always a single “exchange rate” for crypto-assets. A reasonable effort should be made to use an appropriate valuation for the transaction in question.

5 Taxation of Crypto-Assets for PAYE (only) Employees

Tax on income earned through employment is collected through the PAYE system. An individual in receipt of income subject to PAYE must also declare additional sources of income or gains to Revenue on an annual return of income through MyAccount on www.revenue.ie.

Where such an individual has a gain on the disposal of a crypto-asset, which is subject to CGT, that individual will have to file a return.

Where such an individual is trading in crypto-assets, the individual may become a chargeable person for income tax purposes.⁸ This places an obligation on the individual to register for IT and file an annual return of income.

6 Capital Acquisitions Tax (CAT) – Gifts and Inheritances

The receipt of crypto-assets by way of gifts or inheritance may need to be considered in relation to a liability to CAT. The valuation of the crypto-asset received for CAT purposes is the Euro equivalent market value of the asset at the [valuation date](#) of the gift or inheritance.

7 Record Keeping

The record keeping provisions set out [here](#)⁹ apply to transactions involving crypto-assets as they apply to all other records relating to tax. Where the records are stored in a wallet or vault on a device such as a personal computer, mobile phone or similar device, these records, when requested, must be made available to Revenue.

⁸ Refer to [TDM Part 41A-01-01](#) and the [Revenue website](#) for more information on becoming a chargeable person and obligations to file returns

⁹ The provisions outlined relate to starting and running a business. The same provision applies to all taxpayers and sources of income.

Taxpayers are reminded that these records must be retained for a period of 6 years in line with legislation. These provisions apply to all taxpayers, including PAYE only taxpayers.

8 Remittance Basis for Non-Domiciled Individuals

An individual who is resident or ordinarily resident in Ireland, but not domiciled in Ireland, is taxable on a remittance basis. Generally speaking, the remittance basis means that an individual is only taxed on foreign income or gains that are brought into (remitted into) Ireland.

Section 29 TCA 1997 is the charging section for CGT.

- Subsection (2) provides that a person who is resident or ordinarily resident in the State is chargeable to CGT on gains accruing in a year of assessment.
- Subsection (4) disapplies subsection (2) where the gain accrues from the disposal of assets “situated outside the State” to an individual who is not domiciled in the State.

The first step in determining whether or not the remittance basis applies to crypto-assets is to note that the requirement is that the assets are situated outside the State, and not that they are not situated in Ireland. This distinction is important because, where a crypto-asset exists ‘on the cloud’, it will not actually be situated anywhere and therefore, cannot be viewed as ‘situated outside the State’.

Where the situs of the crypto-asset is in dispute, the onus is on the taxpayer to prove where the gain accrued. Where the location of the crypto-asset giving rise to a taxable gain cannot be confirmed by the taxpayer, that gain is chargeable to tax in Ireland based on residency rules.

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

[...]