**Bookkeeping for Cryptocurrency**

More and more individuals and businesses are using cryptocurrency. While it’s a decentralised form of digital money that has the potential to be anonymous, there are still tax implications for cryptocurrency (or crypto for short) investments and transactions.

Many types of cryptocurrencies are available, which can be bought or sold via platforms that exchange cash for cryptocurrency using digital wallets. The cryptocurrency can then be exchanged for online goods and services.

There is no problem exchanging goods and services using crypto so long as the transactions are recorded and valued correctly.

**Crypto Transactions and Data Matching**

Crypto transactions are subject to the same tax and GST treatment as cash, credit or other forms of payment and must be included in the tax return.

Cryptocurrency exchanges have recently started attracting more mainstream investors, and a lot more data is available. The ATO uses data from various agencies and departments, including Australian cryptocurrency exchanges, state revenue offices and investment shares data, to validate the crypto gains and losses values in business and individual tax returns.

**Bookkeeping for Digital Currency**

Using crypto to pay for goods or services is accepted and is treated the same way as any other form of payment. A business transacting in digital currency must account for all transactions and keep records the same as any other business transaction.

Receiving payment from customers in crypto is also allowed, and all the usual rules apply. Just because a customer pays in crypto does not change the GST treatment of sales a business makes. If the business is registered for GST, then GST rules apply to all transactions regardless of payment method.

These suggestions are appropriate for a business with only a few crypto transactions and wallets. For any business transacting or regularly trading in crypto, you'll need to check with the tax agent for advice and accounting setup. They may have crypto tax calculator tools that take care of the end-of-year conversions to cash value and may have specific requirements for the accounts setup. However, as this is a relatively new area, not all accountants have experience in bookkeeping for crypto, so you may be working it out together!

* Set up an asset account for the cryptocurrency. If an individual has more than one type of currency, then you'll need to set up multiple accounts, as they are all valued differently.
* Money transferred into digital currency is recorded as a cash transfer from the bank account into the digital wallet.
* Multiple cryptocurrencies can be consolidated into one account for financial reporting purposes to report the AUD value of all digital currencies. Digital currency can also be reported in other legal currencies, USD being the most common. For financial reports, the USD value is then converted to AUD.
* All transactions must be listed on bills and invoices in AUD amounts. A transaction may not be expressed as units of digital currency.
* Digital wallets must be reconciled the same as any bank account, although the process must be done manually as crypto platforms do not integrate with accounting software yet. This is why the exchange rate or valuation is essential to track so that the correct fiat currency amount is reported, particularly as digital currency values can change rapidly.
* Sales invoices should be set out with the same requirements as usual for [ATO valid tax invoices](https://www.ato.gov.au/business/gst/tax-invoices/), including the amount of GST.
* All the usual [ATO record keeping](https://www.ato.gov.au/Business/Record-keeping-for-business/Overview-of-record-keeping-rules-for-business/) rules apply to crypto transactions, so keep all related documents to buying or selling crypto and business transactions paid for or received in cryptocurrency, including transaction and broker fees. The platforms and wallets don't provide detailed reporting information, so individuals or businesses must keep accurate records independent of the apps used to buy, sell or hold crypto.
* Exchanges of fiat currency (government-issued legal tender) used to fund digital currency must be tracked. Because of tax implications, tracking the timing of purchases and sales of currency is essential.
* The currency is treated as an intangible asset and will be valued accordingly at the end of the financial year for tax return purposes, similar to how shares are treated.
* For individuals or businesses that make a lot of crypto exchanges, it may be worth investing in a digital currency exchange calculator to get up-to-date valuations of all digital currencies if their tax agent doesn't already have such a tool.

**Crypto Scams**

There are many more crypto scams happening online now as people become more open to the idea of experimenting with cryptocurrency investment.

If you or your clients are looking into investing in crypto, conduct the due diligence first and check the type of currency, the platforms and the digital wallets being recommended. There is no recourse if cryptocurrency is lost or paid into a fake account and because transactions can be anonymous, fraudsters and hackers are almost impossible to catch.

**Crypto in Accounting Software**

More solutions are frequently arriving that are focused on accounting for cryptocurrency. If you want to investigate the options, check [Koinly](https://koinly.io/au/), [CoinLedger](https://coinledger.io/au) or [CryptoTaxCalculator](https://cryptotaxcalculator.io/au/).

As cryptocurrency use becomes more widespread, we should see the leading accounting software platforms offer solutions to process cryptocurrency transactions effectively.

[ATO – Tax treatment of cryptocurrencies](https://www.ato.gov.au/general/gen/tax-treatment-of-crypto-currencies-in-australia---specifically-bitcoin/)

[ATO – Cryptocurrency – investment or personal use](https://www.ato.gov.au/Tax-professionals/TP/Cryptocurrency---investment-or-personal-use-asset/)

[ATO – Transacting with cryptocurrency](https://www.ato.gov.au/general/gen/tax-treatment-of-crypto-currencies-in-australia---specifically-bitcoin/?anchor=Transactingwithcryptocurrency)