

Tax-Related Questions

April 26, 2019

Representative Counsel has been receiving a significant number of tax-related questions from Affected Users concerned about their 2018 filings. Please see the below FAQs for tax-related matters regarding QuadrigaCX.

Question: Do I need to file my 2018 tax return even though I don't have information from the QuadrigaCX website?

Answer: YES. Individuals are required to file their tax returns and provide an estimate of tax owing by April 30, 2019 for the 2018 year.

Question: What source(s) for information should I use to prepare my 2018 tax return?

Answer: The Canada Revenue Agency ("CRA") has stated that if you acquire (by mining or otherwise) or dispose of cryptocurrency, you must keep records of your cryptocurrency transactions. The CRA has suggested that taxpayers export information from these exchanges periodically to avoid losing the information necessary to report transactions. The CRA has stated that the taxpayer is responsible for keeping all required records and supporting documents for at least six years from the end of the last tax year to which they relate.

The CRA has stated that taxpayers should maintain the following records with respect to cryptocurrency transactions:

- the date of the transactions
- the receipts of purchase or transfer of cryptocurrency
- the value of the cryptocurrency in Canadian dollars at the time of the transaction
- the digital wallet records and cryptocurrency addresses
- a description of the transaction and the other party (even if it is just their cryptocurrency address)
- the exchange records
- accounting and legal costs
- the software costs related to managing your tax affairs.

If the taxpayer is a miner, the CRA has stated that a miner should also keep the following records:

- receipts for the purchase of cryptocurrency mining hardware
- receipts to support expenses and other records associated with the mining operation (such as power costs, mining pool fees, hardware specifications, maintenance costs, and hardware operation time)
- the mining pool details and records.

If you have any specific questions or concerns, you should contact your tax advisor.

Question: Shouldn't I just wait until I have all of the information from the QuadrigaCX website before I file my taxes?

Answer: NO, waiting to obtain information from the QuadrigaCX website is not recommended since individuals have a statutory obligation to file tax returns and estimate taxes by **April 30, 2019** for the 2018 year. Furthermore, the CRA has stated that taxpayers are, themselves, responsible for maintaining certain information regarding cryptocurrency transactions. At this time, it is unknown whether (and to what extent) each Affected User might suffer a loss with respect to his/her investment through the QuadrigaCX website. Further, it is not certain whether any such loss would arise in the 2018 year or the 2019 year. As such, it may not be known whether (and to what extent) each Affected User might have an income inclusion or a capital gain with respect to the Affected User's transactions using the QuadrigaCX website. If you fail to properly report or pay tax owing by April 30, 2019 for the 2018 year, you may be subject to penalties and/or interest. If you have any specific questions or concerns, you should contact your tax advisor.

