



Affected Users of QuadrigaCX – Tax Matters

April 26, 2019

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Individuals are responsible for filing their respective tax returns, generally by April 30th of each year for the preceding year.¹

The QuadrigaCX website has been taken offline. Although we understand that each Affected User's trade history will be preserved, we further understand that the Affected Users cannot access their trading histories and account information at this time. As such, individuals who utilized the QuadrigaCX platform to trade cryptocurrency may not currently have access to some or all of the information necessary in order to accurately compute their respective tax liabilities owing for 2018.

Nevertheless, individuals are required to file their tax returns and provide an estimate of tax owing² by **April 30, 2019** for the 2018 year.

With specific respect to cryptocurrency, the Canada Revenue Agency ("CRA") has stated³ that if you acquire (by mining or otherwise) or dispose of cryptocurrency, you must keep records of your cryptocurrency transactions.

The CRA has further stated⁴ (**emphasis added**):

Cryptocurrency exchanges have different standards for the kinds of records they keep and how long they keep them. **If you use cryptocurrency exchanges, we suggest that you export information from these exchanges periodically to avoid losing the information necessary to report your transactions.** You are responsible for keeping all required records and supporting documents for at least six years from the end of the last tax year they relate to.

You should maintain the following records on your 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.

¹ Paragraph 150(1)(d) of the *Income Tax Act* (Canada) (the "ITA").

² Section 151 of the ITA.

³ <https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/compliance/digital-currency/cryptocurrency-guide.html>

⁴ *Ibid.*

If you are a miner, also keep the following records:

- receipts for the purchase of cryptocurrency mining hardware
- receipts to support your 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.

Should there be a discrepancy between the tax you report and pay to the CRA for the 2018 year and your actual tax liability owing for 2018 (realized because you have obtained additional information regarding your QuadrigaCX holdings), you may be able to adjust your return and obtain a refund for an overpayment of tax by adjusting your 2018 tax return.⁵ Note, however, that the ability to claim a refund may be limited by statutory periods.

Should you owe additional tax (realized because you have obtained additional information regarding your QuadrigaCX holdings), you are required to amend your tax return⁶ to include such income. As a result, the CRA may impose interest and/or penalties. Note that the CRA administers legislation that gives the Minister of National Revenue discretion to cancel or waive penalties or interest through so-called “taxpayer relief provisions”⁷ of the *Income Tax Act* (Canada) (the “ITA”).⁸ However, we cannot provide advice on the availability of any such relief to an individual Affected User.

On behalf of the Affected Users, we intend to make a submission to the CRA that the Minister of National Revenue consider granting relief from penalties and interest arising from an Affected User’s inability to access information from the QuadrigaCX website, given the extraordinary circumstances of the situation. Such a submission would be made simply to provide the CRA with pertinent information concerning Affected Users’ inability to access information from the QuadrigaCX website. However, such a submission would be for informational purposes only; if you are subject to interest and/or penalties and intend to utilize the “taxpayer relief provisions”⁹ of the ITA, you must file your own submission with the CRA. You should contact your tax advisor for further information or for assistance with making such a submission.

⁵ This can be done by: making an online adjustment through the CRA’s “change my return” portal through the “My Account” website; using ReFILE, or mailing a completed CRA Form T1-ADJ to the CRA. For additional information, see the CRA’s website regarding how to change your return: <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/change-your-return.html>

⁶ *Ibid.*

⁷ For more information regarding the “taxpayer relief provisions”, see: <https://www.canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/complaints-disputes/taxpayer-relief-provisions.html>

⁸ Subsection 220(3.1).

⁹ *Ibid.*, and *supra*, note 7.

