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TaxMatters@EY is an update on recent Canadian tax news, case developments, publications and more.

Be aware of the income tax consequences of cryptocurrency transactions

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Cryptocurrency has become increasingly popular in recent years, offering individuals, business owners and investors an accessible alternative to traditional forms of currency. Given its rise in popularity, it's important to be aware of the tax obligations resulting from cryptocurrency transactions.

While we're focused here on income tax, you should also consider other tax implications; for example, whether you may be required to register for and charge GST/HST based on crypto-asset activities.

You should also carefully consider the tax implications of activity involving other forms of crypto-assets, such as nonfungible tokens (NFTs).

What is cryptocurrency?

A crypto-asset is a cryptographic token that runs on distributed ledger technology for such as blockchain. The token is a digital representation of value and the ledger is a secure database that validates ownership of and transactions relating to the crypto-asset.¹

Cryptocurrency is a specific type of crypto-asset used primarily as a medium of exchange. Unlike traditional currencies, cryptocurrency can be held or transferred without the involvement of a centralized authority such as a central bank.

¹ Crypto-assets can represent a variety of underlying asset types, such as currency, real estate and commodities.



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Taxation of cryptocurrency transactions

The income tax treatment of cryptocurrency transactions depends on the activity involved. Common examples include using cryptocurrency to buy goods or services, trading it for government-issued currency or another crypto-asset, and transferring it by gift or donation. Other cryptocurrency-related activities may also trigger income tax consequences.²

The CRA evaluates a number of factors when determining the nature of activities involving cryptocurrency.

Barter transactions

The exchange of goods or services without using government-issued currency is treated as a barter transaction for income tax purposes, so the use of cryptocurrency qualifies as a barter transaction. In this situation, the buyer is considered to have disposed of cryptocurrency. The vendor must include in their taxable income for the year the barter transaction occurs either the fair market value of the cryptocurrency received or the value of the goods or services provided, depending on which is more easily valued.³

When a barter transaction takes place in the context of operating a business, business income or a business loss may result. If the property exchanged by the vendor is a capital property, a capital gain or loss may result.

Business income

Activities involving the disposition of cryptocurrency that are consistent with those of a person carrying on a business may be classified as business income, which is fully taxable. If the revenue earned from cryptocurrency transactions is lower than the expenses incurred to earn that revenue, a deductible business loss can occur.

Generally, an individual will be considered to be carrying on a business if there is an indication that the disposition of cryptocurrency is conducted in a manner that is intended to and capable of producing gains, and the transactions are carried out in a way that is similar to those undertaken by a trader or dealer in securities.

On its website, the CRA notes that the following factors may indicate that an individual is carrying on a business in relation to crypto-assets:

- Frequency of transactions (i.e., extensive buying and selling of cryptocurrency)
- Short period of ownership
- Knowledge or experience in crypto-asset markets
- Substantial time spent analyzing the markets
- Financing purchases by some type of debt
- Advertising the individual's willingness to buy crypto-assets

A recent Tax Court of Canada decision, *Amicarelli v The King*, 2025 TCC 185, dealt with the issue of whether an individual incurred a financial loss in connection with a loss of assets in their

² For example, income from crypto mining (the use of specialized computers to solve complicated mathematical problems to validate cryptocurrency transactions) and staking (locking up a certain amount of cryptocurrency to a blockchain network to earn rewards and assist in securing and maintaining the network) is treated as business income.

³ A subsequent increase or decrease in the price of the cryptocurrency (e.g., through selling the cryptocurrency after holding it for a period of time) will result in separate taxable gains or allowable losses.

cryptocurrency exchange account and, if so, whether the loss was on account of income or capital. For more information, see **Inaugural guidance: tax treatment of losses on cryptocurrency** below.

The CRA may also treat a one-off transaction as business income if it's an "adventure or concern in the nature of trade," which generally means the taxpayer had a trading or business intention.

Capital gains

An individual may realize a capital gain if a cryptocurrency disposition is made on account of capital.⁴ A profit from the sale or trade of cryptocurrency is generally treated as a capital gain when the proceeds exceed the individual's adjusted cost base plus any costs of disposition. Half of the capital gain is taxable and included in taxable income.

A capital loss occurs if the proceeds of disposition are less than the adjusted cost base plus any costs of disposition. Half of the capital loss is treated as an allowable capital loss and can be deducted against taxable capital gains incurred in the year. Any unused allowable capital losses can be carried back up to three years or carried forward indefinitely to be applied against net taxable capital gains.

Filing obligations

An individual who realizes capital gains or losses from the disposition of cryptocurrency should report them on Schedule 3 of the T1 income tax return, *Capital gains and losses*. To calculate the relevant capital gain or loss, an individual must determine and track the cryptocurrency's acquisition cost: the CRA generally accepts the cryptocurrency's fair market value for this purpose.

If a direct value is not readily available, the CRA will accept another reasonable method to determine value.⁵ Whatever method is chosen must be used consistently from year to year, and the taxpayer must keep records regarding the method. The CRA considers each type of cryptocurrency to be a distinct asset that must be valued separately.

Income from cryptocurrency business transactions should be reported on Form T2125, *Statement of Business or Professional Activities*, with the T1 income tax return.

Generally, cryptocurrency held in inventory must be valued from year to year using one of the following methods:

- Each item in the inventory is valued at the lower of its acquisition cost and its fair market value at the end of the year.
- The entire inventory is valued at its fair market value at the end of the year.

Alternative methods of valuing inventory may be necessary in some cases. For example, if the activity is an "adventure or concern in the nature of trade," property in inventory must be valued at its acquisition cost.

Books and recordkeeping

To ensure tax filings are accurate, it's important to keep records of all cryptocurrency transactions, including, for example, the cryptocurrency's value at the time of the transaction and a description of the transaction.

⁴ For more information on capital gains and losses, refer to Chapter 5, *Investors*, in [EY's Managing Your Personal Taxes, 2025-26](#).

⁵ The CRA's website, [Determining the value of crypto-assets for tax filing](#), provides the example of using an average of high/low/open/close values from a number of different high-volume exchange brokers as a possible alternative reasonable method of crypto-asset valuation.

Individuals should also keep receipts related to accounting and legal costs, as well as third-party software costs. Given the nature of cryptocurrency transactions, the CRA encourages records to be kept electronically.

Books and records relating to cryptocurrency should be kept for a minimum of six years after the end of the last relevant taxation year. Taxpayers should ensure they regularly update their own records by obtaining downloads of transaction information from crypto-asset exchanges or other third-party platforms.

Conclusion

Given the rapid expansion in the use of cryptocurrency, it's important to understand the associated tax rules to mitigate unintended and undesirable tax consequences.

If you're involved in cryptocurrency transactions, make sure you fulfill your tax obligations and consult with a tax advisor if you need more guidance.

Inaugural guidance: tax treatment of losses on cryptocurrency

Amicarelli v The King, 2025 TCC 185

Zachary Gee, Calgary

In this case, the Tax Court of Canada considered whether losses from cryptocurrency trading were on account of capital or income. This case is significant as it marks the first time a Canadian court has offered guidance on cryptocurrency, defining what it is and determining its tax characteristics.

Background and facts

The taxpayer was an employee at a Canadian airline. In 2017, they purchased Bitcoin through a cryptocurrency exchange platform.

In 2017, Bitcoin was a new crypto asset that showed promise for rapid appreciation. The taxpayer invested in hopes of making a quick profit to fund their early retirement.

The taxpayer opened a crypto trading account. To fund the account, they took out a second mortgage on their home with a steep interest rate of 11.99%, withdrew all their RRSP savings (\$263,902) and took advances on a credit card, for a combined total investment into Bitcoin of \$473,242.

The taxpayer logged in and viewed their account frequently, spending several hours per week contemplating Bitcoin buys and making transactions. Throughout 2017, they made more than 100 Bitcoin purchases, and by late 2017 their account held more than \$2 million.

However, in December 2017, the taxpayer's account balance suddenly dropped to \$0. Subsequently, the taxpayer tried to recover the funds, including by emailing the exchange platform. The emails disappeared from their email account for unknown reasons and they were unsuccessful in recovering the funds.

Finally, the taxpayer added an additional \$2,000 to their account in a last attempt to jumpstart its value, but nothing worked. For personal reasons, the taxpayer did not mention the significant loss to anyone.

In light of the loss, the taxpayer deducted a \$505,142 non-capital loss against her income on their 2017 T1 personal income tax return; \$473,242 of that was derived from the Bitcoin loss, with the remainder representing interest and other costs.

In early 2019, the exchange platform collapsed and the Ontario Securities Commission (OSC) investigated it, later concluding in a report that it was a fraudulent platform operated as a Ponzi scheme.

In September 2019, the CRA reassessed the taxpayer's 2017 taxation year and denied the non-capital loss in full. The taxpayer objected, but the CRA confirmed the reassessment. The taxpayer then appealed to the Tax Court of Canada.

Issues before the court

There were two issues put before the court:

- Did the taxpayer really incur the financial loss they reported, based on the Bitcoin lost in their exchange platform account?
- If the loss can be established, is it on account of income or capital?

The parties' positions

The taxpayer testified that the \$473,242 in their Bitcoin account was lost. On that basis, they argued that the loss was entirely deductible against their income as a non-capital loss.

On the other hand, the Crown argued that the loss was capital in nature so the taxpayer was not entitled to such a large deduction. Notably, a non-capital loss characterization was favourable to the taxpayer's financial situation.

Outcome: fraud-related crypto losses may be deductible as a non-capital loss when crypto activities constitute a business

In response to the first question, the Tax Court found that the taxpayer actually purchased Bitcoin with all the money they claimed they deposited into their exchange platform account. The court determined that the taxpayer's claims – of the second mortgage, emptying their RRSP and credit card advances – to inject funds into the crypto account were credible.

Furthermore, the court determined the taxpayer was sufficiently credible when claiming they attempted to recover the funds via email outreach to the exchange platform and sought assistance from an IT professional. Despite the fact that the outreach emails were lost and the evidence of them was not ideal, the OSC report confirming the exchange platform was a fraudulent scheme became a determining factor. As such, it accordingly led to large-scale losses for investment victims including the taxpayer.

Overall, on the balance of probabilities, the court found that the taxpayer indeed suffered a loss as the result of crypto trading.

Regarding the second question, the court determined that the loss was on account of income and was properly deductible because the taxpayer's intention when purchasing Bitcoin was to make a profit. Furthermore, the taxpayer's conduct included regular Bitcoin purchases and routine monitoring of their account and the crypto market. On this basis, the court commented that the taxpayer's "activities were more than [mere] dabbling and were more akin to activities of a trader or dealer."

While Bitcoin was not related to the taxpayer's regular day job, the court commented on the nature of Bitcoin itself, analyzing its characteristics and noting that:

- Bitcoin was a speculative asset meant for resale and did not generate interest or dividends
- It was an identifiable fungible (property that is interchangeable but capable of being individually traced)
- It can be the subject of speculation

Finally, the court noted that the taxpayer's financing activities were costly and that their decision to hold onto the Bitcoin for the better part of a year was consistent with the goal of turning a profit.

On this basis, the court held that the taxpayer's use of borrowed funds, coupled with the fluctuations of the value of Bitcoin – which reportedly reached as high as \$2,000,000 – was sufficient from a commercial perspective to characterize the taxpayer's actions as being an adventure in the nature of trade, as opposed to finding Bitcoin to be a long-term investment.

Therefore, the court held that the taxpayer's loss from Bitcoin was properly deductible as a non-capital loss.

What this means for the ordinary taxpayer

This case is the first time a Canadian court has defined and analyzed the tax treatment of cryptocurrency. At minimum, this case offers some clarity that cryptocurrency can be characterized as inventory instead of capital and, if the facts align, losses on cryptocurrency can be considered non-capital losses, which could be favourable to certain taxpayers.

However, this case doesn't definitively conclude that all crypto losses should be considered to be on the account of inventory and are therefore non-capital losses. The taxpayer in this instance was not a professional trader and had suffered large personal financial losses due to fraud, which made it advantageous in their tax situation for the losses to be treated as non-capital losses. The taxpayer benefited from this advantageous tax treatment because their profit-seeking goal and activities fell within the definition of a business.

Key takeaways

Overall, while the taxpayer obtained a favourable result, this case is just the first foray into an emerging space that leaves open the possibility of other outcomes regarding the tax treatment of the sale or disposition of a crypto asset.

The specific facts and circumstances of fraud in this case led the Tax Court to conclude that the loss from the taxpayer's crypto investment was on account of income. However, the same analysis on different facts could also reasonably lead to the opposite conclusion that cryptocurrency is an investment not unlike other long-term investments.

This case is likely the starting point for how the Tax Court or other courts will view crypto assets and determine what their proper tax treatment.

It's also noteworthy that this case dealt with a significant loss due to fraud, where a non-capital loss characterization was the most favourable outcome for the taxpayer. However, while this case provides some guidance, it's certainly not in the final word on the treatment of gains or losses on the disposition of crypto assets.

Publications and articles

Tax Alerts - Canada

[Tax Alert 2026 No. 23 - Prince Edward Island Budget 2026 \[Updated\]](#)

[Tax Alert 2026 No. 24 - Federal excise tax on fuel temporarily suspended](#)

[Tax Alert 2026 No. 25 - Federal Spring Economic Update 2026](#)

[Tax Alert 2026 No. 26 - Newfoundland and Labrador Budget 2026](#)

[Tax Alert 2026 No. 27 - Government tables the Spring Economic Update 2026 Implementation Act](#)

[Tax Alert 2026 No. 28 - Employee ownership trusts are here to stay](#)

Additional resources

[Digital services tax jurisdiction activity summary](#)

An updated version of EY's DST jurisdiction activity summary is now available. The summary outlines the status, scope, rate, thresholds, exclusions and effective dates for 32 jurisdictions. It also includes links to relevant EY Global Tax Alerts and EY contact details.

EY's activity summary provides the latest information correct as of February 1, 2025.

Expanded Green Tax Tracker now available

The EY [Green Tax Tracker](#) can help you discover, research, monitor and act on sustainability tax policies worldwide with details on sustainability incentives, carbon regimes, green taxes and exemptions.

[EY's Worldwide Personal Tax and Immigration Guide 2025-26](#)

Governments worldwide continue to reform their tax codes at a historically rapid rate. Taxpayers need a current guide, such as the Worldwide Personal Tax and Immigration Guide, in such a shifting tax landscape, especially if they are contemplating new markets. The content is straightforward. Chapter by chapter, from Albania to Zimbabwe, we summarize personal tax systems and immigration rules in more than 140 jurisdictions. The content is current as of October 1, 2025, with exceptions noted.

[EY's Worldwide Capital and Fixed Assets Guide 2025](#)

Capital expenditures represent one of the largest items on a company's balance sheet. This guide helps you reference key tax factors needed to better understand the complex rules relating to tax relief on capital expenditures in 41 jurisdictions and territories.

[EY's Worldwide Estate and Inheritance Tax Guide 2025](#)

This guide summarizes the gift, estate and inheritance tax systems and describes wealth transfer planning considerations in 44 jurisdictions and territories.

[Worldwide Corporate Tax Guide 2025](#)

Governments worldwide continue to reform their tax codes at a historically rapid rate. Chapter by chapter, from Albania to Zimbabwe, this EY guide summarizes corporate tax systems in more than 150 jurisdictions.

[Worldwide VAT, GST and Sales Tax Guide 2026](#)

This guide summarizes the value-added tax (VAT), goods and services tax (GST) and sales tax systems in 153 jurisdictions, including the European Union.

[Worldwide R&D Incentives Reference Guide 2025](#)

The Worldwide R&D Incentives Reference Guide offers taxpayers the information necessary to identify and leverage opportunities to benefit from available incentives, especially relevant if they are contemplating new or expanded investments in R&D, innovation and sustainability.

[Worldwide Transfer Pricing Reference Guide 2025](#)

This publication is designed to help international tax executives identify transfer pricing rules, practices and approaches.

The information included in the guide covers 121 jurisdictions. It's meant to provide an overview for the covered jurisdictions regarding their transfer pricing tax laws, regulations and rulings; OECD Guidelines treatment; documentation requirements; transfer pricing returns and related-party disclosures; transfer pricing documentation and disclosure timelines; BEPS Action 13 requirements; transfer pricing methods; benchmarking requirements; transfer pricing penalties and relief from penalties; statutes of limitations on transfer pricing assessments; likelihood of transfer pricing scrutiny and related audits by the tax authorities; and opportunities for advance pricing agreements (APAs).

The content for the guide is updated as of April 30, 2025.

[EY Center for Board Matters](#)

The EY Center for Board Matters supports board members in their oversight role by helping them address complex boardroom issues.

[EY TradeFlash](#)

Welcome to EY's latest edition of TradeFlash, a companion to EY TradeWatch. This new publication provides a roundup of the latest developments in global trade around the world.

[EY TradeWatch Issue 2, 2025](#)

EY *TradeWatch* provides information about customs and international trade developments to help you develop strategies to manage duty costs and the risks of global trade, to improve trade compliance and to increase the operational effectiveness of international supply chains.

Websites

[EY Law LLP](#)

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Our insights can help general counsels improve operations and better mitigate risk, by fostering a culture of integrity and supporting business priorities.

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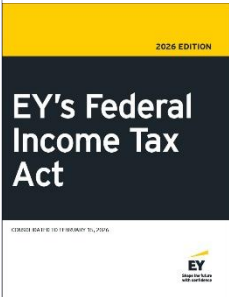
[Focus on family enterprise](#)

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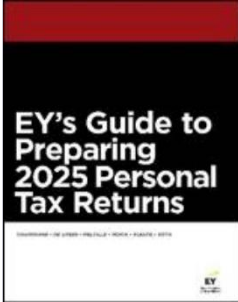
[Online tax calculators and rates](#)

Frequently referred to by financial planning columnists, our mobile-friendly calculators on ey.com/ca let you compare the combined federal and provincial 2025 and 2026 personal tax bills in each province and territory. The site also includes an RRSP savings calculator and personal tax rates and credits for all income levels. Our corporate tax-planning tools include federal and provincial tax rates for small business rate income, manufacturing and processing rate income, general rate income and investment income.

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	<h3>EY's Federal Income Tax Act, 2026 Edition</h3> <p>Editors: Albert Anelli, Janette Pantry, Linda Tang and Jennifer Ward</p> <p>Available May/June 2026</p> <p>Included with this edition: interactive online features and purpose notes for selected provisions. Purchase of a print book includes access to an online updated and searchable copy of the federal <i>Income Tax Act</i> as well as the PDF eBook. Consolidated to February 15, 2026, this edition contains amendments and proposals, including Bill C-4 (2025), <i>Making Life More Affordable for Canadians Act</i>, August 15, 2025 legislative proposals [technical amendments],</p>
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August 15, 2025 legislative proposals [FES 2024 and other proposals], November 4, 2025 notice of ways and means motion [Budget 2025], Bill C-15 (2025), *Budget 2025 Implementation Act, No. 1*, January 29, 2026 legislative proposals and Bill C-19 (SC 2026, c. 1), *Canada Groceries and Essentials Benefit Act*.



[EY's Guide to Preparing 2025 Personal Tax Returns](#)

Editors: Lucie Champagne, Maureen De Lisser, Gael Melville, Caitlin Morin, Yves Plante, Alan Roth

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[EY's Complete Guide to GST/HST, 2025 \(33rd\) Edition](#)

Editors: Jadys Bourdelais, Thomas Brook, Sania Ilahi and David Douglas Robertson

Canada's leading guide on GST/HST, including GST/HST commentary and legislation, as well as a GST-QST comparison. Written in plain language by a team of EY indirect tax professionals, the guide is consolidated to July 1, 2025 and updated to reflect the latest changes to legislation and CRA policy.