



Taxation implications of Bitcoin: A South African perspective

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Declaration

I, Sinegugu Jangaza, declare that this dissertation is a representation of my own work in conception and execution. This work has not been submitted in any form for another degree at any university or institution of higher learning. All information cited from published or unpublished work have been acknowledged.

S.P.M Jangaza Date: 06/06/25

APPROVED FOR FINAL SUBMISSION

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Prof O. Stumke (PHD)

Date: 15/08/2025

Dedication

Firstly, to God the Almighty be the glory for He is the author of my life. Without His mercy, none of this would have been possible.

This research is dedicated to my late parents, Mr & Mrs Jangaza, I am because you were. I wish you were here to witness this moment with me.

To my family at large, especially my husband Kabelo and our two boys, Neo and Amohelang. Thank you for giving me space and time to complete this project. I know this has not been easy, but because of all of you, I keep trying.

Black child rise!

Acknowledgement

A special thanks to Professor Stumke, my supervisor, without her professional advice and assistance, this research would not have been successful. I thank you.

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To the Durban University of Technology for accepting me as one of their students.

ABSTRACT

Bitcoin, created by Satoshi Nakamoto, came into existence in 2008. Bitcoin is a virtual currency that has gained popularity worldwide, including in South Africa. It can be used as money or a means of payment or can be kept as an asset. For many years, virtual currencies operated free from legal regulations. Its decentralised network offers its users confidentiality because no-one can link any Bitcoin transaction to any user.

This research study investigated the South African Taxation treatment of Bitcoin transactions. It also investigated the taxation legislation for Bitcoin transactions of the three countries selected for this study which are Canada, the United States of America and Australia, in order to establish best-practices that can be applied in South Africa.

Bitcoin transactions can come into existence from the process of mining; obtained from barter transactions; and when purchased from Bitcoin vendors through the exchange of countries' fiat money for Bitcoin, thus attracting taxation implications. The first research question was: What are the tax consequences of Bitcoin transactions in South Africa? This study found the following: the South African Revenue Service, cryptocurrencies are considered assets. The amount received or accumulated as per classification of gross income can be calculated using the value of cryptocurrencies. Cryptocurrency transactions can generate revenue that is subject to gross income taxation. The recipient taxpayer must include as gross income the value in South African Rands of a cryptocurrency, paid or accrued to him or her as contemplated in the definition of "revenue asset". It may be considered trading stock to receive Bitcoin with the intention of trading it for goods and services.

Research Question Two was: What are the regulations governing, and tax treatment of, Bitcoin in selected countries? The findings can be summarised as follows: The United States of America (USA), Australia and Canada are clear that virtual currencies are not a legal currency and therefore cannot be classified as currency. Canada classifies virtual currencies as a commodity for taxation purposes. The USA and Canada have classified Bitcoin as property and intangible property respectively, which is similar to the approach in South Africa. The definition of a currency for all four countries is similar in the sense

that there needs to be physical cash for the amount to be included as gross income for taxation purposes. Moreover, if Bitcoins are acquired with the aim of reselling or investment, Capital Gains Tax comes into play. None of the three nations' definitions of currency apply to virtual currencies.

Research Question Three was: What is the difference or similarities between South African income tax consequences of Bitcoin and that of the three jurisdictions chosen for this study? The below is a summary of the results: South Africa, USA, Australia, Canada (specific that virtual currencies are not a legal tender and hence cannot be recognized as currency) Canada Taxes Crypto as a Commodity Bitcoin is labelled property by the USA and intangible property by Canada. This classification attracts Capital gains taxation, which is a similar approach to South Africa. All four nations have comparable definitions of currency, meaning that for an amount to be considered gross income for taxes reasons, actual cash must be present. Consequently, none of the four nations' definitions of currency apply to virtual currencies. Last but not least, virtual currencies are categorised as crypto assets since South Africa's asset definition encompasses assets of any kind, whether tangible or intangible. Virtual currencies were also categorised as commodities or property in Canada.

The study recommends on how South Africa might enhance its current tax laws pertaining to Bitcoin transactions. The study also suggests future research that can serve as an extension of this study.

Keywords: Bitcoin, Income tax, Intangible Assets

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List of Acronyms

Acronym	Full Name
AML	Anti-Money Laundering
ATO	Australian Tax Office
AUSTRAC	Australian Transactions and Reporting Analysis Centre
CA(SA)	Chartered Accountant (South Africa)
CARF	Crypto- Asset Reporting Framework
CASP	Crypto Asset Service Providers
CFTC	Commodities Futures Trading Commission
CGT	Capital Gains Tax
CRA	Canadian Regulatory Authorities
DRC	Departmental Research Committee
DUT	Durban University of Technology
EUR	Euro
FAF	Financial Action Force
FBTA	Fringe Benefit Tax Assessment Act
FICA	Financial Intelligence Centre Act
FICA	Federal Insurance Contributions Act
FinCEN	Financial Crimes Enforcement Network
FINTRAC	Financial Transactions and Reports Analysis Centre of Canada
FMV	Fair Market Value
FRC	Faculty Research Committee
FUTA	Federal Unemployment Tax Act
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GST	Goods and Services Tax
HDC	Higher Degrees Committee
HST	Harmonized Sales Tax
IFWG	Intergovernmental Fintech Working Group
IRC	Internal Revenue Code
IREC	Institutional Research Ethics Committee
IRS	Internal Revenue Services
ITA	Income Tax Act
ITAA	Income Tax Assessment Act
JPY	Japanese Yen
MSB	Money services businesses

Acronym	Full Name
OECD	Organisation for Economic Cooperation and Development
SAICA	South African Institute of Chartered Accountants
SAIPA	South African Institute of Professional Accountants
SARB	South African Reserve Bank
SARS	South African Revenue Service
SEC	Securities and Exchange Commission
UCT	University of Cape Town
UP	University of Pretoria
USA	United States of America
USD	United States Dollar
VAT	Value Added Tax
WITS	University of the Witwatersrand

Chapter 1

1.1 Introduction

This study investigates Bitcoin tax consequences from a South African standpoint. The study was prompted by the absence of relevant tax laws in South Africa (SA). The South African Revenue Service (SARS) published the first cryptocurrency guidelines pertaining to Bitcoin transactions in South Africa in 2018. With Bitcoin being widely utilized in major cities in South Africa and also developing into a more and more accepted form of investment, virtual currencies have operated primarily in the country without regulation. Nonetheless, law-makers around the world have been alerted to the growing popularity of Bitcoin (Doguet 2013:1121).

SARS declared its stance on cryptocurrencies, particularly Bitcoin, and for the first time, Russia contributed to the legislation governing cryptocurrency businesses. On 6th April 2018, SARS produced a Media Release about bitcoin tax treatment named “SARS’s stance on the tax treatment of cryptocurrencies” According to the Media Release (SARS 2018: 01), cryptocurrencies are not frequently used or accepted as official tender for payment of goods and services, but are being traded on a rather limited scale. As a result, cryptocurrencies are not considered by SARS as money with regards to CGT or income tax

According to SARS 2018: 01, assets that are intangible are those that lack a physical form or that are not visible or observable.

January 2019, the Consultation Paper on Policy Proposals for Crypto Assets was released by the Intergovernmental Fintech Working Group (IFWG) section of the South African Reserve Bank (SARB) in collaboration with the National Treasury. According to the Consultation Paper on Policy Proposals for Crypto Assets (IFWG 2019: 05), South Africa's regulatory bodies have adopted a pragmatic approach that centres on the economic activities being carried out, as opposed to a more thorough clinical classification. The functions of cryptocurrency assets are thought to be comparable to those of stocks, commodities and currencies. Tokens or digital representations that a user community can access, validate, exchange and sell online is the suggested definition given in the *Consultation Paper on Policy Proposals for Crypto Assets* (IFWG 2019: 05).

Cryptocurrency assets are not considered electronic money because they are not considered legal tender and are issued electronically by centralized organizations. Cryptocurrency assets can be used to trade (exchange of value) and invested in. Cryptocurrency assets can be used as a store of value, a unit of account, or a means of exchange amongst a community of users (IFWG 2019: 06).

According to the IFWG 2019 report, South Africa has no plans to restrict the acquisition, transfer or storage of cryptocurrency assets, nor to outlaw the use of cryptocurrency as a form of payment. Since cryptocurrency assets are not recognized as money, customers may be in danger of being subject to theft or fraud in an unregulated setting. However, the decision to keep cryptocurrency assets lawful depends on the current environment as well as their levels of use, acceptance and popularity. Therefore, South African authorities reserve the right to modify their policy approach if cryptocurrency assets pose a serious threat to their regulatory obligations (IFWG 2019: 11).

The following goals for a crypto asset's regulatory framework were decided upon by the Crypto Assets Regulatory Working Group and the IFWG (2019: 11):

- Assure the safety of investors and customers;
- Ensure the efficiency and security of financial institutions and the financial system.

Reduce the likelihood of regulatory arbitrage; protect against violations of exchange control laws and regulations; stop illicit financial flows, money laundering, and terrorism financing; stop tax evasion and illegal tax avoidance schemes; and support the sensible and balanced growth of technological innovation and financial inclusion.

As much as the Regulatory Action Group agrees on the framework, there were regulatory actions to be considered (IFWG 2019: 26). These are as follows:

- Cryptocurrencies should not be considered legal tender and should not be recognised as electronic money.
- An adequate regulatory framework is intended to be built in three stages, namely the registration process for crypto asset service providers; the review of current regulatory frameworks, followed by the addition of new regulatory requirements or changes to existing regulations; and the

evaluation of regulatory actions taken.

These developments indicate that the SARB and National Treasury are categorising cryptocurrencies as crypto assets. The reason for this is due to crypto assets that can never be classified as currency or money but are intangible assets.

1.2 Background and context of the research

According to Nakamoto (2008: 01), Bitcoin is a decentralized electronic cryptocurrency that facilitates completely disintermediated and almost anonymous financial transactions. When the first letter of Bitcoin is capitalized, it refers to the system as a whole. When it is not capitalized, it refers to individual units of currency. One type of virtual money is Bitcoin. According to Nakamoto (2008), a virtual currency is an exchange medium that has a few, but not all, characteristics of real money, and in some contexts, it operates as real money. A virtual currency is not legal tender for a jurisdiction, hence, the difference with a real currency. Legal tender has been issued by the government and is the legal currency for a nation, whereas a virtual currency is not issued by a sovereign which can mean government, or state ruler (Nakamoto 2008: 01).

Bitcoin is an open-sourced project, in contrast to other virtual currencies (Moosa 2019: 16). As a result, consumers can exchange fiat money for Bitcoin and then exchange it for the native currency of a nation. Fiat cash, according to Moosa (2019: 16), is the nation's currency for use in the physical and virtual worlds, such as dollars, yen, euros or rands. Each miner (also known as a node) in the Bitcoin system has an account on a digital ledger, which houses all the transaction data. Every transaction is contained in the digital ledger. Block refers to a collection of transaction ledgers for these products or articles Moosa (2019: 16). According to Moosa (2019: 16), every node on the Bitcoin network is distributed for every block. Musharraf (2023: 01) states that states that a virtual currency is a kind of payment that acts similarly to actual money in certain contexts but is devoid of all its characteristics. Members can now verify the legitimacy of blocks in the Bitcoin chain and the blocks created by the community can be made public.

Members can now verify the legitimacy of blocks in the Bitcoin chain and the blocks created by the community can be made public. A blockchain is the Bitcoin ledger's historical record, or log, of every transaction that has ever been verified. In order to guarantee the integrity and sustainability of Bitcoin as an exchange medium, a block must

be authenticated (Musharraf 2023: 01). This ensures that users cannot alter the Bitcoin scaling. Since no one can monitor transactions, the Bitcoin network offers users anonymity. As a result, it is challenging for regulators to monitor Bitcoin transactions as the system depends on all users disclosing any activity related to Bitcoin (Musharraf 2023: 01).

Virtual currency is a type of payment that is accepted and utilised in the online community (Wicht 2016: 09). Virtual currencies, according to the Financial Action Force (FAF), are digital representations of value that do not have legal standing in relation to a nation's official currency but can serve as an exchange instrument, value storage device, or unit of account (Wicht 2016: 09). A decentralised, mathematical, convertible currency protected by encryption is called a cryptocurrency. By transferring money from one person or business to another using public and private keys, cryptocurrencies enable value transfers that are verified cryptographically. Because there are no records outside of the network, cryptocurrency users enjoy complete anonymity (Wicht 2016: 09).

According to Macurak (2014: 01), there is a difference between a Bitcoin and national currency. Although a Bitcoin appears to be similar to cash, it is not the same as real currency. The real currency is controlled by the state and is visible, whereas Bitcoin is intangible and not subject to official authority. Customers can benefit from increased privacy and no transaction costs with Bitcoin. The Bitcoin system can process payments entirely, but it also has significant volatility and causes issues for tax authorities, customers and regulators. Since Bitcoin is exchanged directly between users, there is no central administration that might impose rules or issue pronouncements on behalf of the network. Furthermore, the payment system and exchange control regulations lack consumer protection laws and are unable to include the ideas of finality and irrevocability (Macurak 2014: 01).

The Intergovernmental Fintech Working Group was Established in 2016 and consists of the Financial Intelligence Centre, the SARB, the Financial Sector Conduct Authority, and National Treasury, . The objective of the Intergovernmental Fintech Working Group is to promote communication between regulators and policymakers from all relevant constituencies to the fintech sector (Intergovernmental Fintech Working Group, 2019: 04). The Intergovernmental Fintech Working Group (2019) promotes communication between regulators and policymakers in the fintech sector. The Intergovernmental

Fintech Working Group (2019:16) defines the term crypto asset as: “crypto asset means an electronic digital representation of value used for investment, payment and similar purposes. A crypto asset is not an asset issued by an authority or central bank (as envisaged in section 1 of the Currency and Exchange Act), but traded, transferred and stored by natural and legal persons using cryptography techniques in the underlying technology”. The Crypto Currency Regulatory Working Group's position document states that "the SARB will not supervise or regulate the crypto active landscape, systems, or intermediates." The Crypto Currency Regulatory Working Group (2020: 04) further cites that any activity relating to the acquisition, exchange or use of cryptocurrency assets poses risk to individual end-users and they are left to their own devices and without recourse to contact the SARB. The SARB indicated that its efforts and advances in this field will continue (Crypto Currency Regulatory Working Group 2020: 04).

In April 2020, the Crypto Assets Regulatory Working Group revised the position paper published in January 2019. This position paper provided specific proposals for the development of an asset regulation framework in addition to suggestions for the required legal reforms (The Intergovernmental Fintech Working Group 2021: 11). The Intergovernmental Fintech Working Group and the Crypto Assets Regulatory Working Group outline in the published 2021 Position Paper that service providers are free to decline to accept cryptocurrencies as payment without breaking the law because they are not considered legal tender (The Department of National Treasury 2014: 2).

According to Ukwueze (2021: 20), cryptocurrencies are governed by the Value-Added Tax Act, 89 of 1991 (the VAT Act) as well as the Income Tax Act, 58 of 1962 (the Income Tax Act). Additionally, cryptocurrency assets are governed by standard tax laws under the Income Tax Act. Additionally, according to Ukwueze (2021: 20), taxpayers must include their gains from cryptocurrency assets in their ordinary taxable income. Penalties and interest could follow failure to comply. The following transactions, however, are free from VAT (which is typically paid at 15%) under the VAT Act: issuing, acquiring, collecting, purchasing, selling, or transferring ownership of any cryptocurrency financial services. However, VAT is applied to any fee related to a service or fee earner that exceeds the registration level.

The above background provides brief details about the subject being researched. This confirms when it was first created, how it comes into existence, as well as how it works. The views of the policymakers and the present tax legislation in South Africa were also discussed. The following section will focus on the problem statement, goal, objectives, and research questions.

1.3 Statement of the Problem

South Africans have traded cryptocurrencies valued at hundreds of billions of rands in recent years as the nation has become enamoured with the worldwide trend (Brederode 2023: 01). Bitcoin as a method of transfer has reached its high level and is continuously acquired as an investment (SARS 2018). Almost every other currency is freely regulated or legally supervised. In South Africa, virtual currencies were operating free of regulation up until April 2018 when SARS issued a guideline on how to tax Bitcoin transactions. This gives rise to taxation implications for Bitcoin transactions. The interpretation of the SARS guidelines and application is a challenge which formulated the research problem for this study as what are the taxation implication of bitcoin in South Africa compared to other countries?

1.4 Research Aim and Objectives

1.4.1 Research Aim

The aim of this study is to examine the income tax implications of Bitcoin in South Africa compared to those of Canada, Australia and the United States of America (USA).

1.4.2 Research Objectives

- I. Analyse the tax consequences of Bitcoin in South African income ;
- II. To review the Bitcoin taxation in three other jurisdictions (Canada, Australia and USA); and
- III. To compare the South African income tax consequences of Bitcoin with those of the three jurisdictions chosen for this study.

1.4.3 Research Questions

- I. What are the income tax consequences of Bitcoin in South Africa?
- II. What are the Bitcoin taxation consequences in the three jurisdictions (Canada,

Australia and the USA)?

- III. What are the differences or similarities between the South African income tax consequences of Bitcoin and those of the three jurisdictions chosen for this study?

1.5 Significance of the Study

This research may serve as a referral for all academics in a similar field of study. Bitcoin is not the first nor the last cryptocurrency/asset that has come into being and challenged South African legislators due to the uniqueness and dispersed nature of its network. This work can set as a reference in similar studies that will be conducted in future.

1.6 Limitations

Only publicly available data and online material from South Africa and the other three countries under inquiry were included in the study's scope. Income taxes on all Bitcoin transactions in South Africa and the three other nations that were part of the study were examined. In addition to scholarly material on Bitcoin taxation that was easily accessible online, the relevant legislation or publications from each nation were studied.

This research employs a doctrinal research strategy using a document review, a qualitative research method and an interpretative paradigm. Another challenge was to collect relevant literature, and the ambiguity and complexity associated with the provisions of tax statutes, challenges in interpretation and possibilities of misinterpretation of each publication, and the responsibility of not providing recommendations based on misinterpreted information.

1.7 Research Methodology

1.7.1 Research Paradigm

Since the goal of this study is to comprehend the implications of Bitcoin for South African income tax and the policies used in the chosen nations to tax Bitcoin, it employs a doctrinal research strategy that includes document review, a qualitative research method, and an interpretative paradigm.

Interpretive research involves understanding the legislation and interpreting its implications. This approach delves into the legislation being studied to understand and

interpret its meaning. The task is to know the meaning of the legislation under investigation. Priority will be to know what the law is and its construed meaning (Kivunja and Kanyini 2017: 26). Ponelis (2015: 538) also notes that the characteristics of the interpretative research paradigm include the necessity of understanding the world from a subjective or participatory perspective and the necessity of finding an explanation based on the frame of reference of the participant or activity rather than that of an independent, detached observer of the activity. In the interpretivist paradigm, relevance takes priority over rigor at the axiological level.

In addition, Pervin and Mokhtar (2024: 422) state that interpretivists embrace a relativist ontology, suggesting that an event can be interpreted in multiple ways rather than being a fact ascertainable through a specific method. To help researchers understand what has happened and how it happened, this method seeks to gain a deeper understanding of the event and to reveal the complex problems and phenomena within the particular context in which the situation is situated.

Lastly, as Ponelis (2015: 539) points out, when using interpretive case studies for qualitative research, the researcher must make critical decisions about prior theory, the unit(s) of analysis, the number and selection of cases, the data collection methods to be employed, and the analysis of the collected data. The culmination of these choices leads to the case study methodology, which aids in maintaining consistency in research projects involving the collection of data over an extended period in numerous places.

1.8 Data Collection Method

The data collection method selected for this study is document analysis. Document review mainly deals with content analyses. According to Muzari et al. (2022: 18), this encompasses text, which can be written, visual or spoken and functions as a means of communication. Materials contain information and take the shape of text, including books, newspapers and official documents. In this research, scholarly documents and government publications were used to gather information relevant to the study.

1.9 Research strategy

Doctrinal methodology was selected as the research strategy selected for this study. Doctrinal study deals with finding out the law governing the subject matter and how it is

developed and applied (Ali et al. 2017: 01). Duncan (2012: 84) describes doctrinal study analysis as the legal rules governing particular areas of law; assesses the connections between different legal rules; explains the area of difficulty; and occasionally predicts future legal developments.

The doctrinal research encompasses all kinds of legal notions and principles, including statutes, regulations and cases explains (Duncan 2012: 84). A collection of rules, values, norms, principles and interpretive guidance has been referred to as doctrine. It clarifies, makes sense or defends a particular legal provision as a component of a broader rule of law (Duncan 2012: 84).

According to Ali et al. (2017: 01), the appropriate avenue for finding the answers to the questions posed in the efforts to understand the new problems in the legal context is through doctrinal and non-doctrinal legal study.

This is the appropriate strategy for this study since it aims to understand the tax laws governing Bitcoin.

1.10 Research method

The purpose of this study is to comprehend how Bitcoin affects taxes in South Africa.

Therefore, a qualitative research method is the appropriate research method instead of a quantitative method. The knowledge gathered by qualitative research is more useful, rich and offers increased understanding compared to what is obtainable by means of quantitative research since the data differences are collected, analysed, and what data and analysis can tell us about the topic studied (Tewksbury 2009: 39).

Tewksburg (2009: 38) further explains that the superiority of qualitative research is derived from the key distinctions that exist and may contribute to knowledge bodies in qualitative and quantitative research. At the heart of the investigation are qualitative meanings, features and qualities. Hence the significances, idea and designs, features, metaphors, symbols and descriptions of objects are referred to in qualitative research.

Qualitative methods provide a depth of understanding of matters being studied that is not possible using quantitative statistically based investigations, according to Tewksburg

(2009: 39). The qualitative research method as compared to the quantitative method is chosen for this research due to the depth of knowledge it provides.

1.11 Data analysis Method

The process of dissecting acquired data to improve comprehension of the subject under study is known as data analysis. The goal of analysis, according to Muzari et al. (2022: 18), is to comprehend the many elements of data by looking at the relationships between concepts and figuring out whether any patterns or trends can be found to develop themes within the data.

In this study, the three countries chosen (Canada, USA and Australia) and their Bitcoin legislation is compared to that of SA, and case studies were used to analyse Bitcoin taxation implications in SA.

1.12 Ethical considerations

In order to show that they are adhering to the fundamentals of sound research practice, researchers frequently consult ethical standards or resources. Ethical knowledge, Mirza et al., (2023: 01) states, is implicitly demonstrated. There is a growing literature addressing ethical issues in research evaluation. In regard to research, ethics entails the standards and values to guide decisions regarding data collection, analysis, and dissemination.

Ethical issues of relevance to this study have been considered. The body of this work has been considered and the Institutional Research Ethics Committee (IREC) of Durban University of Technology and ethical clearance was provided.

1.13 Trustworthiness: Credibility, Transferability and Confirmability

To achieve trustworthiness in qualitative research, credibility, transferability and confirmability strategies need to be met (Shenton 2004: 64).

1.13.1 Credibility

To achieve credibility researchers are generally advised to take proactive steps to reduce the intrusiveness and bias thus prevents the degree to which it is possible that the data was impacted in a way that produced false conclusions (Mirza et al. 2023: 01).

1.13.2 Transferability

Transferability, sometimes referred to as external validity, is the extent to which the findings of one study may be used in several situations (Shenton 2004: 63). The finished product of this study will be used as a reference by other academics working in related fields.

1.13.3 Confirmability

Confirmability can be achieved by the methodological description that can help the reader understand the extent to which the data and constructs comes from make it more acceptable. An essential component of this is the audit trails, which enables any observer to follow the research's progression step-by-step, through the choices made and methods detailed explanations (Shenton 2004: 63).

1.14 Outline of the study

Chapter 1: Introduction

This chapter provides a general overview to the study, as well as the motivation and objectives of the study.

Chapter 2: Literature review

This chapter presents literature on what Bitcoin is, how it operates, and how to acquire Bitcoins. Along with research carried out in the three other countries chosen for this study, the literature review includes relevant information on South African studies.

Chapter 3: Research Methodology

This chapter discusses the research methodology, research strategy as well as research method selected for this study.

Chapter 4: Discussion of South African Taxation consequences of Bitcoin

This chapter discusses in detail the tax laws governing the use of Bitcoin in South Africa, as well as the different tax laws issued.

Chapter 5: Analysis of the tax consequences (Canada, Australia and the USA)

This chapter discusses in detail the tax laws governing the use of Bitcoin in three chosen countries.

Chapter 6: Conclusion

This chapter summarises the research, provides recommendations, concludes on the study, discusses the limitations and suggests areas for further research.

1.15 Conclusion

This chapter introduced the research to be conducted as it detailed the researcher's process of creating the research, where the research topic is created and the topic was placed into context. Following that, the background of the study was provided, which was then followed by the research delineating the research problem and research purpose. The aims and objectives were presented. Furthermore, the research methodology was presented. The limitations were also noted. The chapter also highlighted the research contribution.

The chapter concluded with a description of the structure and contents of the following chapters. The next chapter will present a review of literature. The literature review detailing the work that has been done in South Africa and the three countries selected for this research will present and evaluate empirical evidence relating to the research questions, namely:

- I. What are the taxation implications of Bitcoin received under all circumstances and the associated expenditure?
- II. What are the regulations governing, and tax treatment of, Bitcoin in selected countries?
- III. What are the differences or similarities between South African income tax consequences of Bitcoin and that of the three jurisdictions chosen for this study?

The first research question is answered in Chapter Four by studying the South African taxation laws or legislation imposed on Bitcoin transactions.

Questions Two and Three are answered in Chapter Five by studying the three countries chosen for this study in relation to tax laws on Bitcoin and comparing these countries' tax laws with that of South Africa. The aim is to then to offer recommendations on how to improve the existing income tax legislature in South Africa as it applies to Bitcoin.

Chapter 2

Literature Review

2.1 Introduction

This chapter presents a literature review that discusses, and analyses published empirical studies and articles on Bitcoin taxation from South Africa, Canada, Australia, and the United States. These international countries were chosen firstly due to the availability of published scholarly work, and secondly because they have similar taxation laws to SA. These countries' taxation laws include personal tax, value-added tax (VAT), Capital Goods Tax, as well as taxation for business. This is similar to the SA taxation system.

The chapter presents information about what Bitcoin is, how it works and how to obtain Bitcoins. This chapter also presents prior Bitcoin taxation literature and scholarly work of South African studies, as well as research conducted in the three international countries.

2.2 Bitcoin

In this section, the background on what Bitcoin is, how it works and how it can be obtained are discussed.

2.3 Background of Bitcoin

Satoshi Nakamoto invented Bitcoin in 2008, stating that Bitcoin is a digital currency that can only be found online. Unique sequences of numbers and letters make up Bitcoins, which are accounting units that function as currency units and only have value when individual users are prepared to pay for them (Nakamoto 2008: 01). Bitcoins are a digital currency that may be exchanged (bought or cashed out) for USA dollars, Euros, and other fiat or virtual currencies (Financial Action Task Force 2014: 04). Every Bitcoin transaction is processed and logged in a public ledger by a program that operates on the internet. Furthermore, Bitcoin is not controlled or administered by any legal organisation (Kein-Meng Ly 2014: 590). Bitcoin users enjoy this benefit, as no one can access Bitcoin transactions, thus, its users can remain anonymous. Although bitcoin is a digital currency that may be used as a payment mechanism just like cash, it is not considered legal tender and cannot be handled as such. This is because cash is legally recognised and must be

accepted, whereas bitcoin is not. Until they sell it in the following phase, some people can decide to keep it as an asset. A digital currency and a virtual currency are two different things. A virtual currency is a tradable digital representation of value that can be used as a store of value, a unit of account, or a medium of exchange. But it's illegal everywhere.

According to the Financial Action Task Force (2014: 04), the community of Bitcoin users alone can fulfil these obligations, given the virtual currency is not issued nor supported by any authority. Bitcoin employs cryptographic protocols to govern the creation and exchange of digital coins. Consequently, there is no government, corporation or financial institution that issues Bitcoins or manages its administration (Southern African Accounting Association 2018: 237).

In April 2018, the South African Revenue Service (SARS) published an official media statement indicating that crypto-assets are governed by ordinary income tax legislation and that affected taxpayers are expected to declare their cryptocurrency gains/losses in their taxable income. This response was made by SARS after the Davis Tax Committee requested, in 2014, that the South African National Treasury investigate the tax compliance consequences of cryptocurrencies. For income tax and capital gains tax purposes, therefore, SARS does not consider cryptocurrencies to be cash as they view them as intangible assets (Sadhaseevan 2019: 09).

2.4 The working of Bitcoin

There are different ways of obtaining Bitcoin. It can be obtained through mining; as a payment for goods or services provided; or it can be bought and sold through the Bitcoin network. Bitcoin miners mine Bitcoin by operating as a business that offers mining Bitcoin services, or they can mine it for themselves and hold Bitcoin as an asset or keep it to sell at a later stage (SARS 2018: 01). According to Nakamoto (2008: 02), the Bitcoin system can be thought of as a decentralised electronic payment system that enables participants in a transaction to send and receive bitcoin, a type of virtual currency, directly from one another without the involvement of a financial institution acting as a middleman.

According to the Financial Action Task Force, users can send, receive, and store Bitcoins as well as track Bitcoin transactions using free, open-source software that can be downloaded from a website (Financial Action Task Force 2014: 04). users can send, receive, and store Bitcoins as well as track Bitcoin transactions using free, open-source software that can be downloaded from a website (Financial Action Task Force 2014: 04). It is possible to trade bitcoin for products and services if it is not solely held as an investment, explains Berger (2016:02). The following could be included as examples of bitcoin exchange transactions (Berger 2016:02):

Purchasing books or services in amounts of currency where the transaction as a bitcoin merchant includes the following:

a) **Purchasing physical goods and services via online marketplaces.** Some businesses in South Africa that accept bitcoin as payment for products and services include retailers of outdoor and recreational equipment, cloud-based accounting and tax services providers, corporate gift suppliers, travel agencies, and bars and restaurants.

b) **Bitcoin gift vouchers** - This is a simple way to convert virtual currencies into "real world" physical goods or services.

c) **Payment platform providers bitcoin payment options** - These companies allow businesses and clients to seamlessly accept and make payments via multiple sources, including Bitcoin and credit or debit cards.

d) **Online bitcoin auction** - Using online bitcoin auction sites like Bit Premier service, you may use bitcoins to buy and sell the personal luxury goods you want, such as art, yachts, and antiques.

The discussion above outlines the operation of Bitcoin as a currency. Over the next few sections, we will look at options for obtaining Bitcoin.

2.5 Ways of obtaining Bitcoin

As explained above, there are different ways of obtaining Bitcoin, firstly, through the process called mining; secondly, from the exchange for goods and services (bartering); and thirdly, from Bitcoin vendors. Bitcoin mining is explained next.

2.5.1 Bitcoin mining

Rather than purchasing Bitcoins, Bitcoin users may produce them through mining. A Bitcoin miner employs the processing capacity of their own computer to solve a complex computer algorithm. Bitcoins are distributed every ten minutes to the miner who can compute a number below a particular threshold (Plassaras 2013: 08).

Plassaras (2013: 08) acknowledges that Bitcoin mining has its limitations because mining is a time-consuming and difficult procedure. There is a tight control around the generation of Bitcoins through mining. The generation of Bitcoin over time is slowed down to limit it to 21 million through Bitcoin software. Bitcoin production is expected to come to a standstill in 2025, owing to the declining performance of Bitcoin mining.

According to SARS's 2018 report on the tax treatment of cryptocurrencies, mining was the process of obtaining bitcoin. Mining is the process of solving challenging computer algorithms to validate transactions in a computer-generated ledger that is now publicly available. The miner gets more coins, which are also included on the ledger, in exchange for verifying these transactions. With Bitcoin as an example, once a miner successfully mined, it accrued or received immediately. Unless the freshly acquired cryptocurrency is sold or swapped for cash, it is retained as trading stock that may be realised through a conventional cash transaction, or a barter transaction, as explained by SARS's stance on the tax treatment of cryptocurrencies (SARS 2018: 01). Wilwerding (2019: 09) explains that miners engage in competition to resolve intricate proof-of-work challenges in order to aggregate transaction records into blocks. Once the first miner successfully resolves the challenge, a block is created and subsequently assessed by the nodes for its legitimacy. If the block of transactions garners majority approval from the nodes, the miner is rewarded with new Bitcoins. It is important to note that blockchain technology is not limited to Bitcoin.

2.5.2 Bartering

The South African Income Tax Act makes no mention of bartering. Harvey (2019: 41) asserts that bartering is the exchange of products and services for goods and services rather than cash. When Bitcoin is accepted as payment for goods or services, the phrase might be applied. At the time of transaction, the value of the Bitcoin is obtained through a bartering process; the value agreed upon by the barterers is the source. According to Mistry (2023: 35), the base price of a cryptocurrency asset purchased in return for goods is determined by the value of the things that were traded.

2.5.3 Purchase from Bitcoin vendors

The other way of obtaining the Bitcoin is through buying it from Bitcoin vendors. Therefore, one exchanges money for Bitcoin (Wicht 2016: 21). The value of the Bitcoin when purchasing from the vendor is determined by the markets.

Having discussed what Bitcoin is, how it works and the different ways of obtaining Bitcoin in South Africa, the next section discusses Bitcoin in South Africa and the opinion of the legislators.

2.6 Bitcoin in South Africa

Ice cubed, Altcoin Trade and BitX are Bitcoin exchange platforms in South Africa that allow bank deposits in return for Bitcoins to purchase products and services and trade Bitcoins (Berger 2016: 47). BitX South Africa, one of the major local Bitcoin exchanges, is based in Stellenbosch. The firm connects Bitcoin buyers with sellers and provides secure storage for the currency. BitX South Africa, unlike other exchanges, demands that its users comply with the Financial Intelligence Centre Act (FICA), which removes the concept of anonymity (Donnelly 2014: 02).

In South Africa Bitcoin is the leading cryptocurrency payment method. In July 2014, Pay Fast, a payment gateway based in South Africa, incorporated Bitcoin as a payment option on its platform, granting access to over 30 000 online merchants in the country. Consequently, despite the existence of various cryptocurrencies (van Wyk 2018: 04), its popularity has grown over the years as more and more people have invested in it.

South Africans have traded cryptocurrencies valued at hundreds of billions of rands in recent years as the nation has become enamoured with the worldwide trend (Brederode 2023: 01). Companies offer a wide range of metrics that show how the use of cryptocurrencies is expanding in South Africa. Additionally, it appears that South Africans use cryptocurrencies on different platforms in different ways. According to Christo de Wit, Luno's country manager for South Africa (Brederode 2023: 01), the country has accounted for nearly 70% of the digital currency traded on the platform. He explains that over the course of Luno's ten-year existence, R655 billion has been exchanged on the platform. Luno is a global provider of cryptocurrency assets with a significant presence in South Africa.

Bitcoin, as a method of transfer, has reached its high level and is continuously acquired as an investment (SARS 2018). Wicht (2016: 20) explains that currencies are freely regulated or legally controlled, but in South Africa, virtual currencies were operating without being regulated up until April 2018 when SARS issued a guideline on how to tax Bitcoin and its transactions. This gave rise to taxation implications on Bitcoin transactions, which the users never catered for due to a lack of guidelines from SARS and grey areas that remain unclear in the current legislation.

This illustrates the state of Bitcoin's presence and visibility in South Africa from its introduction phase to date. It shows a high level of acceptance by South Africans. The next section discusses the SARB and National Treasury deliberations on Bitcoin transactions.

2.6.1 The South African Reserve Bank and National Treasury

The National Treasury (2014: 02) issued a statement in 2014 on the state of Bitcoin, its legislation and its user protection in South Africa, as at that time there were no laws governing the use of Bitcoin in South Africa. Its users operated free of any legal Restrictions, and they were not protected by any law. Virtual currencies may be purchased and traded on a variety of platforms and are classified as securities under the Financial Markets Act, 2012 (Act No. 19 of 2012).

In the SARB's keynote address by the then Deputy Governor (Groepe 2015: 07), he stated that blockchain is the latest technology that allows users to trade or buy in a less expensive

and decentralised manner. Costs in the Bitcoin network are less expensive as there is no mediator/agent that acts as the middleman or government, as in the case of legal tender. Furthermore, Groepe (2015: 07) stated that blockchain is still in its immature stage, and while regulators and markets are trying to understand and regulate its use in South Africa, newer virtual currencies are already being developed. National Treasury and SARS issued guidelines on the taxation treatment of Bitcoin and Bitcoin transactions in 2018.

This clearly shows the challenges that the SARB and National Treasury are facing with the fast-growing use of virtual currencies and its unregulated status in SA. The next section describes the latest developments in SA.

2.6.2 Recent Developments in South Africa

On April 6, 2018, SARS published recommendations for the management of cryptocurrencies, including Bitcoin. Bitcoin and other cryptocurrencies are web-based digital currencies that operate virtually exclusively online, under SARS's position on the tax treatment of cryptocurrencies (SARS 2018). A rising number of proponents claim that it may be used as an alternative currency to pay for goods and services, just like existing currencies (SARS 2018).

Also, Mistry (2023: 07) indicates that profits from cryptocurrency could be classified as capital in nature, as described in the Eighth Schedule of the Act under CGT tax rules. In fact, profits or losses made when transacting in the cryptocurrency market can be grouped into one of three types of scenarios in accordance with SARS' position in relation to tax treatment of cryptocurrencies that could produce different tax treatment or classification.

According to the press release, cryptocurrencies would be viewed as property, much like what has been done in Australia and the United States (Moosa 2019: 23). Cryptocurrencies were categorised as intangible assets by SARS, nonetheless. According to the SARS announcement, its stance and strategy regarding cryptocurrencies is that they are neither widely utilised in South Africa as exchanges or for transactions, nor are they acknowledged as South African currency (Moosa 2019: 23). According to Moosa (2019: 23), logic would dictate that SARS would have to reevaluate its stance regarding the potential classification of cryptocurrencies for tax purposes if they were to become a widely used and trusted payment or exchange method in South Africa.

The National Treasury and the SARB's IFWG released the Consultation Paper on Policy Proposals for Crypto Assets in January 2019. According to the Consultation Paper on Policy Proposals for Crypto Assets (IFWG 2019), South African regulatory authorities have adopted a functional approach that is centred on the economic activities being carried out, as opposed to a more comprehensive and "all-encompassing" clinical categorisation. It is believed that the functions of cryptocurrency assets are similar to those of currencies, equities, and commodities.

Paragraph two states that CGT may accrue on the disposal of any asset possessed by a resident and listed assets possessed by a non-resident (Mistry 2023: 07). If Bitcoin is acquired or accrued as a revenue asset, the market value in South African Rands at the time of acquisition or accrual (whichever is earlier) is to be included in the Income Tax Act (ITA) of the recipient taxpayer's gross income (Mistry 2023: 07).

Since paragraph (a)(i) of the definition of trading stock states "anything received by a taxpayer with the intention of exchanging it", it is possible that Bitcoin bought with the intention of exchanging it for goods/services may be deemed 'trading stock even without being received for profit sake (Van Wyk 2018: 73). The proposed definition according to the Consultation Paper on Policy Proposals for Crypto Assets (IFWG 2019) is as follows. Crypto assets are tokens or digital representations that can be accessed, verified, traded and sold electronically by a community of users. Cryptocurrency assets are not considered electronic money since they are issued electronically by centralized organizations and lack legal tender status. As a result, there are no legislative compensation procedures in place. Cryptocurrency assets can be invested in and used for payments (value exchange). In addition, cryptocurrencies can be used as a store of wealth, a unit of account, or a medium of exchange amongst users.

In November 2023, SARS published a collective engagement to implement the Crypto-Asset Reporting Framework. SARS (2023) commended the Economic Cooperation and Development Organisation (OECD) for releasing the Crypto-Asset Reporting Framework (CARF), a new international standard on automatic information exchange between tax authorities, to keep up with the market's rapid development and growth and to prevent the gradual erosion of recent advancements in global tax transparency. South Africa will enforce tax compliance and crack down on tax evasion if the CARF is widely,

consistently, and swiftly implemented. This will reduce state revenue and put more of the burden on those who pay taxes.

Since South Africa is a jurisdiction with active cryptocurrency markets, SARS (2023) goes on to outline that subject to national legislative procedures, the plan to swiftly transfer the CARF into domestic law and activate exchange agreements in time for exchanges to start by 2027. To ensure consistency and a smooth implementation for both businesses and governments, those signatory jurisdictions to the Common Reporting Standard will also implement amendments to the standard that were agreed upon by the OECD earlier in 2023, in accordance with the timeline above and subject to national legislative procedures as applicable.

These developments support the idea that Bitcoin and other cryptocurrencies should be classified as intangible assets rather than money or currency. The SARB and National Treasury are renaming cryptocurrencies as crypto assets, according to the IFWG's 2019 developments because cryptocurrency assets are intangible assets that can never be categorized as money or currency. Although the recent announcement from SARS to join the collaborative effort to implement the Crypto-Asset Reporting Framework is commendable for tax authorities, it will only take effect at the beginning of 2027, leaving users and tax authorities to rely on the current tax laws and guidelines. This will help limit instances of tax evasion and money laundering using crypto assets.

2.6.3 Summary on Bitcoin in South Africa

With little involvement from the government, Bitcoin is still decentralized. Any Bitcoin transactions that should be included in gross revenue must be disclosed by the taxpayer. The taxes legislators in South Africa have worked hard to provide clarification on how Bitcoin is treated for tax purposes. This makes it clear that Bitcoin is regarded as an intangible asset in South Africa, and as such, CGT is charged when Bitcoin is sold. Bitcoin must be treated as stock when given in exchange for products or services, even if the purpose of the deal was not to make money. Bitcoin is categorized as a digital asset rather than as money, even though numerous attempts have been made to regulate it in South Africa. The consequences for South African taxation will be covered in greater detail in Chapter Three.

It is important to look at South African, Canadian, the USA and Australian empirical studies. This helps with understanding the work and recommendations given by scholars who have written about a similar topic.

2.7 Empirical studies

2.7.1 South Africa

A few studies have addressed the topic of Bitcoin in South Africa. Berger (2016) used a qualitative research approach to look at Bitcoin exchange transactions. To determine whether, from a South African tax standpoint, Bitcoin should be treated as an asset or currency when it is traded for goods, services, and actual money was the stated goal of her research. She began her investigation by looking into South Africa's existing position on Bitcoin and its taxation. She then investigated the taxation policies of Australia and the United States. Berger (2016) emphasized the need to assess the taxpayer's intent when obtaining, holding, disposing of, or trading Bitcoin to determine if the transaction is capital or revenue.

The present tax laws in South Africa are tied to the taxability of Bitcoin trading transactions, she suggested in her conclusion (Berger 2016). This would facilitate the synchronization of the tax and regulatory regimes. Wicht (2016) compared the laws passed in Australia and the USA to investigate the tax consequences of Bitcoin in South Africa. A quantitative research methodology was applied in this study. Wicht (2016) offered the following changes to the South African legal system as a conclusion:

- Virtual currency is now included in the definition of asset under the ITA's Eighth Schedule.
- Adding Bitcoin to the list of foreign currencies covered by ITA Section 24l by designating it as a currency distinct from the local currency.
- Virtual currencies like Bitcoin should be included in the definition of local currency.
- The definition of personal property ought to be broadened to cover circumstances in which an individual uses Bitcoin to make purchases online for their own use.

- To inform South African taxpayers and make the tax status of Bitcoin transactions clear, SARS, the SARB, and the National Treasury of South Africa should create and disseminate recommendations that include general taxation and regulatory guidelines on Bitcoin exchanges.

To encourage tax compliance when it comes to disclosing virtual currencies transactions, tax incentives for taxpayers who comply with tax and regulatory duties should be offered.

Basson (2018) looked into whether section 24I of the Income Tax Act No. 58 of 1962 could apply to profits and losses associated with Bitcoin. The main research question identified was whether a purposive interpretation of section 24I of the Act may imply that the section could be applied to gains and losses made with Bitcoin.

The study's main goal, according to Basson (2018), was to determine if section 24I of the Act might be applied to Bitcoin gains and losses through a purposive interpretation. The primary goal was the basis for the following goals:

- To determine whether the existing tax principle of neutrality requires the application of Section 24I of the Income Tax Act (the Act) that governs the income tax implications of exchange gains or losses in respect of both realised and unrealised foreign exchange transactions. Unrealised exchange differences on foreign denominated debts between connected persons have recently been submitted to varied income tax treatments.
- To describe how Bitcoin gains and losses are normally taxed under section 24I of the Act, as well as the alternate conventional tax treatment in the event that section 24I's provisions are not applicable.
- To compare the standard tax treatment of Bitcoin gains and losses under section 24I of the Act with the standard accounting treatment of Bitcoin gains and losses.
- To determine if applying section 24I of the Act to Bitcoin gains and losses will make tax treatment more or less straightforward.

To accomplish the goals of the study, a qualitative research approach was used, according to Basson (2018). In order to address a specific use case, the study employed applied descriptive research. Since the subject matter was new, exploratory study was also carried

out. The research was done using a desktop literature review. The primary sources of secondary data were books, academic journals, theses, legal databases, and publications by regulatory organisations. Basson (2018) asserts that this study shows how intentional steps can be taken to adapt current legislation to new technology in a way that promotes simplicity and tax neutrality. Basson (2018) concluded that as the usual tax treatment of Bitcoin gains and losses is anticipated to align with the generally recognised accounting technique, applying section 24I of the Act to these gains and losses may help achieve the objectives of section 24I. This research also shows how applying section 24I of the Act to Bitcoin earnings and losses could simplify the taxation of Bitcoin gains and losses.

Vumazonke and Parsons (2023) studied South Africa's guidance on the income tax consequences of crypto assets. This study determined the income tax implications for transactions not covered by the guidelines and evaluated the suitability of the information provided to South African taxpayers regarding the ramifications of transacting with cryptocurrency assets. To compare the SARS guidelines with the recommendations of tax authorities in other countries, Vumazonke and Parsons (2023) started their investigation with a thorough documental analysis. Using current laws and case law, as well as the advice of other chosen tax authorities, a doctrinal legal research technique was used in the study's second phase to determine the income tax implications of transactions that SARS did not handle. The study's conclusion recommends that SARS provide South African taxpayers with comprehensive information on the income tax implications of transactions involving cryptocurrency assets; the study's findings would help build this guidance (Vumazonke and Parsons 2023). The analysis discovered that while the other chosen tax authorities handled certain crypto asset transactions, the SARS guidelines did not cover them all.

The above studies are similar in that most studied the way in which cryptocurrency can be classified for taxation purpose and how its unregulated status affects the taxation authority. The study by Vumazonke and Parsons (2023) studied South Africa's guidance on the income tax consequences of crypto asset. This current study's intention is similar to the study conducted by Vumazonke and Parsons because it also used a doctrinal legal research methodology thus providing more insight on the subject matter.

Most of the above studies employed a qualitative research methodology except for Wicht (2016). Most of the studies investigated what the international countries (USA and Australia) have done to regulate the Bitcoin, and then, based on what these countries have done, formulated recommendations. This is the same as the approach that this study has adopted.

The next section discusses empirical studies conducted in Canada.

2.7.2 Canada

Fournier and Lennard (2014) analysed the Canadian tax aspects of Bitcoin and similar cryptocurrencies. They considered how Bitcoin should be classified under Canadian law in view of the Bank of Canada's and regulatory bodies' then-recent declarations that declared Bitcoin should not be classified as money or currency for Canadian reasons. Fournier and Lennard (2014) concluded that Bitcoin should not be classified as money or currency for Canadian reasons. The revolutionary change that the Bitcoin system appears to foretell may not materialize. Taxes must be imposed wherever there is money to be made. The courts have a great deal of discretion in deciding what is just when the existing tax laws are based on outdated ideas about what money is.

Spano (2015) The author provided recommendations and guidance in compliance with the definitions and rules of Canadian Information Technology and Applied Systems (ITAS) and Canadian Generally Accepted Accounting Principles (GAAP) as they existed at the time. The definitions of monetary instruments do not apply to Bitcoin, the researcher of the research emphasized. Legally speaking, Bitcoin is neither regarded as money nor as a monetary instrument in Canada, and it is not treated the same as international fiat currencies. According to Spano (2015), since ownership of Bitcoin contains an inherent right, it meets the definition of intangible property as once it is in someone's possession, it has already been created and developed, indicating its potential for personal or commercial use. Spano (2015) mentioned that as Bitcoin fits all requirements for this classification under present law, it should be treated as digital products, or intangible personal property for taxes purposes. These two studies were both on the taxation aspect of Bitcoin in Canada. Their recommendations were (that Bitcoin be regarded as digital goods, or intangible personal property for taxation purposes).

Studies conducted in the USA are discussed next.

2.7.3 The USA

A couple of studies have been conducted in the USA in relation to Bitcoin. Akins, Chapman, and Gordon (2015) looked at the current legal situation regarding Bitcoin and offered recommendations for how the current federal income tax regulations need to apply to the virtual market. The definition of virtual currencies, the function of Bitcoin as a virtual currency, its brief history, and an outline of the Bitcoin system's operation were also covered. They further discussed the limited relevant legal reference sources which directly concern Bitcoin regulation, as well as the current income tax rules and regulations which we ought to be applying broadly, to Bitcoin (Akins et al. 2015). Finally, they analyzed the possible federal income tax consequences of various types of Bitcoin transactions, and made suggestions around the correct federal tax treatment of those transactions (Akins et al. 2015). Akins et al. (2015) ultimately concluded that Bitcoin and other digital currency will present challenge for authorities in the future. One area of concern was the appropriate federal income tax treatment of transactions involving the creation or exchange of Bitcoin (specifically; if those transactions were in open or hybrid systems which may have allowed Bitcoin to be transacted for legal money and other products and services with value in money). More specifically, the mining, or creation, of Bitcoin ought to be considered income for services and should be accounted for as such. Likewise, the conversion of Bitcoin for legitimate cash, goods, and services, could be accounted for as capital gain or loss transactions. Prior to federal income taxation of Bitcoin being standardized, the Internal Revenue Service (IRS) still has several procedural and accounting challenges to resolve based on these fundamental tenets. Regulators must take steps to ensure that the income tax regulations, both existing and new, properly address this modern economy considering the rapid growth of utilization of Bitcoin and its other unique characteristics (Akins et al. 2015).

Hampton (2016) recommended that Bitcoin should be considered intangible personal property or digital products for taxation purposes. Hampton (2016) stated that present tax laws unnecessarily limit virtual currencies use as a medium of trade. Transactions are unappealing for those who want to comply with tax law, and legally hazardous for those

who do not. The anticipation that another person would attach a value to virtual money and

that it will be used as payment for goods and services in the future is the fundamental utility that underlies its worth. Exemption of minor transactions from record keeping and reporting requirements, new enactments to clarify tax compliance processes, and new rules to enhance consumer protection and address concerns about illegality are the most appropriate policies to safeguard the utility of virtual currencies.

Liedel's (2018) study covered the history of Bitcoin, outlining the IRS stance as set out in Notice 2014-21 of cryptocurrencies to understand the IRS's approach to cryptocurrencies. Liedel (2018) examined the views of numerous government agencies that deal with cryptocurrency and the federal courts on a range of legal issues. In conclusion, Liedel (2018) stated that the IRS has adopted the position of considering cryptocurrency as property. This viewpoint is inconsistent with numerous other federal actors, including courts and regulatory bodies. The IRS's position also conflicted with the perspective and usage of cryptocurrencies by users and how cryptocurrencies have been approved in marketplaces for the purchase of goods or services. While the IRS's decision to classify cryptocurrencies as property could be consistent with the practical view that only the federal government is allowed to coin money, it does not recognise cryptocurrencies' daily operations and instead enforces which are expensive reporting and tracking standards.

Regarding the suggested remedies and the IRS's stance on Bitcoin's tax treatment, the aforementioned empirical investigations go into great length. According to both studies, Bitcoin should be categorised as property for taxation purposes, which is consistent with the IRS's definition. It is suggested that miners' Bitcoin earnings be taxed as compensation for their labour. Last but not least, exchanges of Bitcoin for legitimate cash, products, and services ought to be recorded as capital gains or losses. This is consistent with how Bitcoin and its transactions are taxed in South Africa.

Empirical studies in Australia are discussed next.

2.7.4 Australia

Emery (2016) considered Bitcoin's regulatory concerns and appropriate taxation in relation to Australian income tax and GST. Emery (2016) provided a solution to the Bitcoin tax gap. Banning Bitcoin or targeting particular users, according to Emery (2016), would be ineffective since individuals would continue to engage in these activities, resulting in a loss of tax revenue for the government. Emery (2016) further suggested that the underlying problems with Bitcoin and tax compliance would be resolved if intermediary regulation was tailored to digital currencies and intended to improve transparency, define the jurisdiction of Bitcoin ownership, and limit users' ability to transfer untaxed Bitcoin abroad.

This type of use could also be of use to authorities. The regulations may include, based on the regulatory experience noted above:

- i) Requirement of Tax File Numbers (and Australian Business Numbers) of Australian Bitcoin account holders.
- ii) They would apply withholding taxes to transfers of Bitcoin where one or more users' account is not an Australian resident taxpayer or is not disclosed,
- iii) Reporting of Australian resident taxpayer accounts,
- iv) Have a common reporting standard regardless of where an account is held in accordance with OECD, guidance which would be basically the win to get further details on where the Bitcoin transactions are held.

Emery (2016) further explains that the more information authorities have on the identities of average Bitcoin users, the easier it will be for them to study blockchain records to trace Bitcoin holdings and, more importantly, regulate users who do not utilise intermediaries directly. During inquiries and audits of taxpayers, this would make it easier to track down tax evaders and Bitcoin-derived earnings.

Van der Westhuizen (2017) examined Bitcoin's legal position and regulation in Australia. The goal of this study was to discover and analyse the legal concerns and repercussions of utilising Bitcoin as a digital money. Van der Westhuizen (2017) examined Bitcoin in terms of money and whether virtual and digital currencies such as Bitcoin should be

controlled in Australia. This study was based on a review of the literature and involved a thorough investigation and analysis of primary and secondary legal sources. Furthermore, the scope of the study included regulatory frameworks on Bitcoin use by international authorities such as the USA, Canada and the European Union, as well as the extent to which Bitcoin use is controlled. Van der Westhuizen (2017) explored the regulatory measures used by each nation and why they either proactively regulated the lawful use of Bitcoin as a cryptocurrency, or by regulating Bitcoin system.

The following suggestions were made by the study's conclusion:

Recommendation 1: The Australian Government and ATO should conduct more research on the regulation of tax evasion activities and consider Bitcoin as a commodity for taxation purposes in order to provide clearer guidance for Bitcoin users in Australia.

Recommendation 2: Current tax laws shouldn't be changed to make Bitcoin a legitimate form of payment for taxation. For consumers, businesses, and Bitcoin exchanges, more thorough and consistent guidelines for the reporting of tax information and the kinds of user tax transactions that must be conducted should be established.

The above studies are similar in the way that they all seek to find a way of how to regulate Bitcoin. Moreover, these studies made recommendations on how to classify Bitcoin for tax purposes. Interestingly, the study by Emery (2016) examined the ways in which Australia can regulate the Bitcoin network and Bitcoin trading firms or businesses, which is like the approach that South Africa is proposing currently.

2.8 Gap in literature

The review of previous studies on Bitcoin reveals several gaps in the literature which this current study seeks to fill. Most of the empirical studies from the targeted countries were published between 2014 and 2017. This is because most countries were still learning about Bitcoin and its network, and countries' legislators were still researching the ways in which Bitcoin can be classified for taxation purposes. It must also be noted that international countries used for this study were quick to formulate taxation legislation for Bitcoin when compared to South Africa. The comparison of between South Africa and

the three overseas countries Bitcoin legislation on Bitcoin is shown in Chapter 5. Next the research methodology used in this study is explained.

2.9 Summary

The chapter act as a foundation of this research with the aim to gain more understanding of the topic being studied. The chapter provided more insight on what Bitcoin is in South Africa, how it works and ways to obtain Bitcoin. The development in terms of Bitcoin taxation and classification by the legislators in South Africa, namely the National Treasury, SARS and the Reserve Bank of South Africa, were studied. The chapter lastly looked at different scholarly work in a form of empirical studies for South Africa and that of Canada, USA and Australia. Lastly, the gaps in literature were identified.

Research methodology will be discussed in the next chapter.

Chapter 3

Research Methodology

3.1 Introduction

The purpose of this chapter is to describe the research methodology used to answer the research questions formulated in Chapter 1.

To recap, the research questions are:

- I. What are the taxation implications of Bitcoin received under all circumstances and expenditure?
- II. What are the regulations governing, and tax treatment of, Bitcoin in selected countries?
- III. What are the differences or similarities between the South African income tax consequences of Bitcoin and that of the three jurisdictions chosen for this study?

Chapter Four provides a response to Research Question One, while Chapter Five provides answers to Research Questions Two and Three. This study selects an interpretative paradigm, because its aim is to understand the South African taxation implications on Bitcoin and the measures put in place by the selected countries. The research strategy selected for this study is doctrinal methodology and this research aims to understand the taxation implications of Bitcoin in South Africa. Therefore, qualitative research method is the appropriate research method instead of quantitative method.

3.2 Research paradigm

A philosophical method of thinking is characterised as the research paradigm. The word 'paradigm' is employed in research to define the viewpoint of a researcher (Kiruna and Kuyini 2017: 26). This viewpoint, thinking, reasoning or collection of shared convictions guides the meaning or interpretation of the study's findings. This is what forms the worldview of a researcher as abstract beliefs and principles (Kiruna and Kuyini 2017: 26). Through a conceptual purpose to specify the research procedures to be used and the data analysis strategy, researchers assess the methodological aspects of their projects (Kivunja and Kuyini 2017: 26). The positivist, interpretive, and critical paradigms are the three primary taxonomies into which research paradigms can be divided (Kivunja and Kuyini 2017: 26). Marwa (2013: 02) states that each research paradigm has its own set of ontological and epistemological assumptions that shape the techniques and procedures

employed. The positivist, interpretivist and critical paradigms are the three primary research paradigms considered. This study uses an interpretive paradigm, as discussed below.

3.3 Interpretive paradigm

Makombe (2017: 09) explains that qualitative research is interpretivist, which means that data collection and analysis can happen at the same time. The task is to comprehend the topic, not the observer's standpoint. Bhattacharjee (2012: 103) states that interpretive research is originated on the notion that social circumstances and human experiences influence social reality. Since social reality is intertwined within and difficult to isolate from their social settings, interpretative researchers interpret actual events through a sense-making process rather than a hypothesis testing strategy. An example of a research method using an interpretivist paradigm is interviews.

According to the relativist ontology adopted by interpretivists, a single phenomenon may have multiple interpretations aside from being a truth that can be ascertained through measurement (Pham 2018: 04). Researchers that use the interpretivism approach usually gain a better understanding of the phenomenon and its difficulties in its specific context rather than trying to generalise the foundation of knowledge for the entire population. When researching events and people with their own interpretations, interpretivist scholars should avoid bias and attempt to comprehend the world's many viewpoints and experiences from a variety of civilisations and situations (Pham 2018: 04).

Pervin and Mokhtar (2022: 424), analysing data interpretively, present a significant challenge for researchers as they must engage in a process of self-reflection. Consequently, it is essential for this research style to approach the analysis process with care and consideration. Researchers are required to meticulously examine all facets of the analysis whilst systematically documenting the data.

3.4 Research strategy

The case study, experiment, survey, action research, grounded theory, doctrinal, cross-sectional, longitudinal, ethnographic, archival, and participatory inquiry are just a few of the many distinct research strategies that are available (Missa 2013: 114). The doctrinal

approach was used for this study because it aims to comprehend South Africa's viewpoint on Bitcoin regulation.

3.4.1 Doctrinal Methodology

This study uses the doctrinal research strategy using document review and a qualitative research method and interpretative paradigm because its aim is to understand the South African income tax implications of Bitcoin and the measures put in place in the selected countries to tax Bitcoin.

The research strategy selected for this study is a doctrinal methodology. Doctrinal research deals with finding out the law governing the subject matter and how it is developed and applied explains (Ali et al. 2017: 01). Thus, a doctrinal study starts with a description of the existing laws and shifts to interpretation when the law is put into preparation and when experts' and academics' interpretations of the law are offered (Coetsee and Buys 2018: 75). This is the appropriate strategy for this paper, since it aims to understand tax laws governing Bitcoin. Furthermore, the doctrinal study begins with a description of the law as it stands today but shifts to interpretation when the regulation is put into effect and when experts and academics offer their standpoints on the law (Coetsee and Buys 2018: 04). Additionally, doctrinal research has a more in-depth, reform-focused approach that defies the validity of the fundamental ideas. Therefore, doctrinal study and doctrinal thinking also include the capacity to critically evaluate the suitability of the concepts created in a field of inquiry (Coetsee and Buys 2018: 04). The scholarly work used to discuss the doctrinal research has some similarities in that they all emphasised that it studies the existing law and that it provides an in-depth understanding of the laws governing the subject. Furthermore, Doctrinal research allows researchers to conduct comparative research with greater abstraction on the legal issue using doctrine explains (Pradeep 2019: 97). This will be achieved by looking at the existing laws governing Bitcoin in the three overseas countries selected and will be shown in Chapter Five. Next, the study looks at the advantages of doctrinal research.

3.4.1.1 Advantages of doctrinal research

Singh and Bajpai (2016: 34) state that the advantages of doctrinal research are as follows:

- It examines legal principles, concepts and doctrines, and it offers quick solutions to the current practical issues.

- Therefore, it provides a ready source of information for those who lacked the time to conduct that research independently because doctrinal research takes less time.
- It guarantees a steady flow of information on a regular basis.
- It sheds light on how the law has changed and grown through time.
- It provides a logical justification for the legislation whilst also drawing attention to its contradictions and ambiguities.
- It makes the law's gaps, ambiguities and inconsistencies clear. As a result, the legislation can be more effective and purposeful.
- It helps in providing evidence that is legal knowledge based.
- Future directions of the law can be predicted based on such studies.
- It provides a sound basis of non-doctrinal research. A deficit of the required preliminary knowledge implies that the venture of non-doctrinal research would be directionless and therefore futile.
- The following section presents the discussion and selection of data collection and research methods.

3.5 Data collection method

This study used document review as a data collection method. This includes text spoken or visual communication, references to books, newspapers and official documents, written text, spoken or visual communication medium amongst other sources explains Muzira et al. (2022: 18). Since information gathered from another published source has already been gathered for a different purpose and may be used for future purposes or for other research goals, it is referred to as secondary data. It can also be applied to the study design and provide a benchmark for comparing primary data (Taherdoost 2022: 12). However, it should be noted that researchers need to reconsider the validity and reliability of these backdrops in order to get real results.

In this study, scholarly work, journals, SARS and other government publications as well as newspapers were used to collect data.

3.6 Research methods

According to Kothari (2004: 07), the methods of research may be defined as all the procedures or techniques utilised to perform research. The behaviour and tools used in selecting and building research technology are referred to as research methods. There are several research methods, but the two most frequent methods of research are the qualitative and quantitative approaches. The difference between these two approaches is discussed next. The style of the study is determined by the approach to research and knowledge assertions that influence not only how concepts are formulated as inquiries but also the type of answers that will be assessed (Makombe 2017: 14).

3.6.1 Qualitative research

Qualitative research evolved from merely not being quantitative research to serving as a substitute for quantitative research (Singh and Pajpai 2016: 33). This research focuses on the real world (rather than specialized research settings like a laboratory) to analyse, describe and explain social phenomena from the inside in numerous ways,

which may be understood from the general idea that it has now acquired several dimensions.

Qualitative research is concerned with what, how and where of a thing's essence and atmosphere, i.e., meanings, concepts, definitions, qualities, metaphors, symbols and descriptions (Tewksbury 2009: 39). It places a greater focus on interpretation and providing comprehensive perspectives, considering situations. According to the qualitative approach, quantitative or statistically based inquiries do not give a depth of understanding of the subjects being examined (Tewksbury 2009: 39). Qualitative techniques are a way to centre and emphasise how individuals comprehend, live and work in dynamic and social environments within the social component of the field being examined.

Qualitative methods are normally associated with the normative paradigm (Denzin and Lincoln 2001: 12). The knowledge gathered by qualitative research is more useful, rich and offers increased understandings compared to what is obtainable by means of quantitative research, since the data differences are collected, analysed, and what data and analysis can inform the researcher about the topic studied (Tewksbury 2009: 39). Tewksbury (2009: 38) further explains that the superiority of qualitative research is derived from the key distinctions that exist and may contribute to knowledge bodies in qualitative and quantitative research. At the heart of the investigation are qualitative meanings, features and qualities. Hence the significances, idea and designs, features, metaphors, symbols and descriptions of objects are referred to in qualitative research.

Qualitative research takes a naturalistic, interpretative approach to its subject. It attempts to understand or explain occurrences in terms of the meaning individuals assign to them (Denzin and Lincon 2003: 13). Fleming and Domegan (2007: 09) state that because the problem is seldom understood, qualitative research focuses on researching and identifying it.

A qualitative approach has been chosen for this study. A qualitative analysis of numerous primary and secondary sources provides answers to the research questions. A literature review is also guided by applicable statutes, case law, and electronic resources to ascertain the current tax treatment of cryptocurrency asset transfers in South Africa. The primary sources that are analysed are the Income Tax Act 58 of 1962, pertinent case law, and specific SARS directives or messages.

The specific guidance and communication provided by SARS are as follows:

SARS clarified the taxation of gains and losses from transactions involving cryptocurrency assets in a press statement published on April 6, 2018. On January 20, 2020, Section 1 of the Income Tax Act 58 of 1962 was amended to include "any crypto asset" in the definition of "financial instrument" (National Treasury, 2021:50). The notice from SARS about the tax implications of dealing in cryptocurrency assets. SARS did, however, publish additional recommendations on its website in August 2021 regarding the taxation of bitcoin assets (SARS 2021b).

Therefore, this study examines the tax ramifications of Bitcoin transactions in the United States, Canada, and Australia before making suggestions for enhancing the way that Bitcoin transactions are currently treated tax-wise.

3.7 Data Analysis

The researcher emphasises the impact of law on the social system while discussing all facets of the issue during the data analysis phase. The researcher discusses the problem of the study by referring to the relevant statutes, case laws and court decisions (Pradeep 2019: 100). This was achieved in the current research by studying the SA tax laws and case laws that govern Bitcoin taxation in the three countries chosen for this study.

3.8 Ethical considerations

The collection, processing of information and finally the utilisation of the results are all subject to ethical considerations. Cohen et al. (2007: 55) state that in all research domains, established processes for gaining authorisation to undertake a research project should be followed. The DUT's Institutional Research Ethics Committee (IREC) granted ethical clearance for this study on 4 August 2016 (Ethical clearance number REC4/16).

3.9 Credibility, Transferability and Confirmability

3.9.1 Credibility

Credibility can be achieved through the various processes of triangulation. Triangulation is the process of using multiple information sources or field procedures to repeatedly establish identifiable patterns and replicability prior to empirical study (Stahl and King 2020: 26). To avoid this, research collaborators are typically encouraged to take steps to

lessen their intrusion and bias in order to maintain the research's credibility. This can be achieved through:

- Extended engagement:** transparency must be the overriding idea in all research.
- Peer debriefing and reflexivity:** You must share your research with other academics for the purpose of sharing ideas and receiving feedback about the research, that helps the researcher remain focused.
- Audit trail:** Each decision made during the research process must be written down in the report.
- Triangulation:** A triangulation of data collection methods can be used to enhance the credibility of the findings.

3.9.2 Transferability

Transferability shows that connections can be moved to comparable settings, conditions and scenarios (Muzari et al. 2022:18). Stahl and King (2020: 27) explains that by applying findings from one context to another, qualitative research aims to increase understanding. Naturally, the researcher cannot assign this. Instead, those who want to apply the research to their own situations must do so as in “lessons from somewhere else” (Stahl and Kind, 2020: 27).

This research aims to be the point of reference for other researchers in a similar field. Therefore, the literature review in Chapter 2 used information from other researchers and different publication to gain insight on the subject under study.

3.9.3 Confirmability

The verifiable information that the researcher has collected is related to confirmability. This can be accomplished, according to Stahl and King (2020: 28), by adding facts to one's study prior to auditing it. Instead of making their results a reality, qualitative researchers who respect and aim for objectivity rely on ideas like accuracy and precision in their research method, as well as the involvement of other researchers.

In this study, these were achieved using SA's tax laws and case studies, as well as the three countries chosen for this study on tax laws.

3.10 Summary

In this chapter, the research design has been covered. The research paradigm chosen for this study is interpretive, using doctrinal strategy, document review and the qualitative research method. Data analyses will be achieved by studying SA tax law as well as case laws of the countries selected for this study. To ensure study reliability, trustworthiness, transferability and confirmability have been discussed.

The next chapter answers Research Question One (What are the taxation implications of Bitcoin received under all circumstances and expenditure?).

Chapter 4

Tax implications of Bitcoin in South Africa

4.1 Introduction

This chapter addresses the tax implications of Bitcoin in South Africa, addressing Research Question One. The South African Income Tax Act 58 of 1962, the numerous laws governing Bitcoin transactions, and pertinent case law are among the study topics

The first is whether Bitcoin transactions are subject to the Income Tax Act 58 of 1962. This question is looked at in the next section.

4.2 South Africa's Income Tax Act 58 of 1962

Gross income for any particular year or assessment period is defined as follows in accordance with Section 1 (1) of the Income Tax Act 58 of 1962 (as amended): The total amount received, accrued, or in the favour of a resident in cash or another form, or the total amount received, accrued, or in the favour of a non-resident from a source within the Republic during the designated year or assessment period, in cash or another form. The term of gross income given above by the Income Tax Act 58 of 1962 refers to total amounts that have been accrued, received by, and from a source. Case laws that addressed these terms are reviewed in the next section.

Total amount: According to CIR v Butcher Bros (Pty) Ltd, 'the word amount means an amount having an ascertainable money value and the onus is initially on the Commissioner to prove that an amount has accrued to the taxpayer'. Therefore, it is important that the taxpayers' total amount to be included in his/her gross income has a monetary value. In case of Bitcoin, the value is determined on various exchange platforms.

Accrued: According to CIR v People's Stores (Walvis Bay) (Pty) Ltd, it was held that According to the ruling, income might include cash, or any type of property earned by the taxpayer that has a monetary worth, whether it be tangible or intangible. Income in a form other than money must be of such a nature that a value can be attached to it in money. Due to a change in legislation the court ruled that if the person has only become entitled to the amount, it will form part of the gross income, irrespective of whether it is

immediately enforceable or not. This implies that the value of the Bitcoin should be included in the individual's gross income as an accruing sum, regardless of whether the Bitcoin owner has received the cryptocurrency or not as soon as the transaction is complete.

Received by: As set out in the case of *Geldenhuys v CIR*, 'An amount is only received by a taxpayer if that taxpayer receives it on his own behalf and for his own benefit'.

Ordinary resident: According to the ruling in *Cohen v. CIR*, a person's principal residence, or typical domicile, is the country to which he would return after his travels; this country might be regarded as his true home. For the money to be included in the taxpayer's taxable income for that year, it must be received by the taxpayer or on his behalf.

From a Republic-based source: The originating cause, or the foundation for identifying the source of a receipt, is discussed in *CIR v. Lever Brothers and Unilever Ltd.*, and it affirms that the taxpayer bears the responsibility of revealing the source of his income since the sum must originate within the republic.

Of a capital nature: In the case of *Natal Estates Ltd v SIR*, it was decided that while the taxpayer's initial plan to retain the asset as an investment is always a factor, it is not always a deciding one. The realised profit becomes of revenue nature if the owner's objective is altered and publicly displayed through a technique or mode of realisation that amounts to a profit-making plan. A comprehensive view of all the case's facts is required. Important factors in any such investigation will include the owner's intentions both at the time of purchase and sale, their goals if they are a business, and their actions before deciding to sell the land. "The onus is imposed on the taxpayer in terms of section 102 of the Tax Administration Act to prove that an amount is of a capital nature". In the case of Bitcoin, if the owner's intention is to keep the Bitcoin for a long period, it is thus regarded as a long-term investment that will fall under capital tax, but if the owner's intention is to make a profit, the Bitcoin value should be included in the taxpayer's gross income.

Cryptocurrency are included in the gross income definition cash or otherwise. Since cryptocurrencies are included in the gross income transactions, SARS states the following about crypto assets transactions.

4.3 Crypto Assets transactions

According to a press release by SARS (2018), there are three different ways to determine how to deal with crypto assets for tax purposes. All three of these scenarios would have different tax consequences.

Mining is one way to get a cryptocurrency. Simply explained, mining is the process of verifying transactions on a public ledger created by a computer program by resolving intricate computer-based algorithms. The ability to designate future coins that will be released to the encrypted address with a certain hash that reflects what the crypto-coins are mined through the ledger is granted to a miner upon transaction verification. The miner instantly creates an asset acquisition after successfully mining the coin. This implies that until the recently acquired cryptocurrency is sold or traded for cash, the miner's assets are retained as trading stock. This can happen through a standard cash transaction (as explained in chapter 2) or a barter transaction, as explained below. If an investor wishes to hold or explore cryptocurrencies, they can sell local cash for cryptocurrencies (and vice versa). Private cryptocurrency transactions are conducted on the marketplace. Cryptocurrencies can be traded for products or services by an investor. As a result, an investor would use barter to perform and pay for the goods or services. Consequently, the same guidelines for barter transactions are applicable.

According to SARS guidelines, there are three different ways to purchase cryptocurrency assets.

- i. Through the mining process, which was explain in Chapter 2.
- ii. Through the exchange of local currency to Crypto assets.
- iii. Through bartering process which is explained in chapter 2.

The profit from selling goods or services for cryptocurrencies must be either a capital gain under the Eighth Schedule or gross income as defined by s. 1(1) of the Income Tax Act 58 of 1962 in order to be subject to taxation in South Africa.

Depending on whether the cryptocurrency asset was held as trading stock or as a capital asset, the tax rules in line with case law will make a distinction between whether an amount paid or accumulated must be included as gross income or has effect for capital gains tax (CGT). The study then looks at Bitcoin that is obtained through mining.

4.4 Tax treatment of Bitcoin transactions received under different circumstances

4.4.1 Bitcoin acquired through a mining process

"Value" was defined as "every form of property realised by the taxpayer whether corporeal or incorporeal which had a monetary value" in *Lategan v. CIR* at 20 Entity. Since the amount of cryptocurrency a miner receives after a successful mining process is valued on several digital currency exchanges on the day it is received in accordance with Section 1(1) of the Income Tax Act 58 of 1962, it qualifies as a "amount" under the definition of gross income.

In order to answer the query of whether Bitcoin earned during mining constitutes capital or revenue:

A taxpayer's intention to profit from the sale of an asset was sufficiently demonstrated by the profit intent test (*CIR v. Pick 'n Pay Employee Share Purchase Trust* (640 of 1990)). [1992] *Pick 'n Pay Employee Share Purchase Trust v. ZASCA* (CIR) at 84. Members would frequently profit from the sale of bitcoin assets, generating revenue for a miner working under a profit-making scheme.

However, according to Section 22(2) of the Income Tax Act 58 of 1962, bitcoin assets that were existent at the start of the tax year (opening stock) and that had not been handled in the previous year are deductible.

Mistry (2023: 32) describes the procedure for taxing mined Bitcoin. Since the taxpayer is engaged in a business, the costs associated with the mining activity (such as electricity, rent, and salaries) will be deductible from income in the assessment year in which they are incurred, provided that the costs were incurred in the process of producing income as defined by Section 11(a) of the Income Tax Act 58 of 1962.

Wear and tear or capital allowances are used to claim capital expenditures that are really incurred by the taxpayer, such as the purchase of computers and processing equipment.

The proceeds from the sale of cryptocurrency assets will be taxed and included in the taxpayer's gross income. According to Section 11(a) of the Income Tax Act 58 of 1962, the costs incurred in the process of producing income would be deducted.

If a cryptocurrency asset was purchased with the intention of investing in it, it will be considered capital in nature. When sold, the capital gains or loss will be applied. When deciding whether income is capital or revenue in nature, the taxpayer's motive is obviously crucial (*Commissioner for Inland Revenue v Stott* 1928). The stated intention (*ipse dixit*) and the specific facts of a case shall be taken into consideration when evaluating the taxpayer's intention (*Malan v. Kommissaris van Binnelandse Inkomste* 1983, 45 SATC 59). Unless there is other evidence showing the item was sold as part of a profit-making scheme, the taxpayer's intention in acquiring the asset will be the deciding factor (*Commissioner for Inland Revenue v. Stott* 1928 (3) SATC 253 (A)). The way Bitcoin is mined will also be treated as either revenue or capital from the activity, depending on what the taxpayer bought in that case. Next, this paper will consider the tax implications of bartering transactions.

4.4.2 Bartering transactions

Bitcoin received under bartering transaction is basically received in exchange for goods and services rendered. The fair market value of the services rendered should be included in the gross income (Witch 2016: 75). This was confirmed in *Lace Proprietary Mines Ltd v CIR* when valuing the asset, the value is the market value at which the asset was initially obtained. The term barter was defined in chapter 2. The above means that the value should be attached to the Bitcoin received under the concept of bartering transaction and should be included in the taxpayer's gross income. Next, the study looks at the implications of cryptocurrency bought with the South African rand.

4.4.5 Crypto asset bought with local currency

The true costs of designing or purchasing an asset are also known as the base costs which is defined in paragraph 20(1)(a) of the Eighth Schedule, Mistry (2023: 34) states "if the crypto asset was purchased on a digital currency exchange with fiat currency the base

cost which is the total amount given in fiat currency for the asset plus any fees charged by the exchange to be included in the taxpayer's gross income or capital". We need to look at capital gains tax to ensure it has been categorised as capital or revenue correctly, however the intention of the buyer would also be relevant.

4.5 Capital Gains Tax

4.5.1 Assets disposed in current year

According to SARS (2022: 01), capital gains tax (CGT) isn't a separate tax in its own right; it is an aspect of income tax. A capital gain is realised if an asset is disposed of for a sum in excess of its base cost, and the asset is disposed of on or after October 1, 2001. The Eighth Schedule of the Income Tax Act, 58 of 1962 contains the relevant provisions (SARS 2022: 01).

A taxpayer's actual tax rate on capital gains is less than the taxpayer's normal tax rate (SARS 2022: 01). CGT capital gains and losses were not included before October 1, 2001. A taxpayer's capital gain made in the year was the sum of the proceeds collected or accrued on the disposal in excess of the base cost of the asset disposed of. In addition, SARS (2021: 01) provided clarity on the phrase "in respect of" in that amounts received or accrued before the disposition of an asset must be taken to account as proceeds in the year of the disposition in calculating a capital gain. "A receipt or accrual that is causally connected to a disposition will be considered part of the proceeds from such disposition even though the receipt or accrual could have been prior to that disposition". The question is whether the proceeds were received or accrued "in respect of" the disposition (SARS 2021: 01).

4.5.2 Assets disposed in an earlier year

The capital gain or loss was calculated and taken into consideration in the previous assessment year if an asset had been sold in that year. On the other hand, SARs (2021: 01) provide that a capital gain will occur in the next year if any of the following occur.

- (i) Accrual of additional proceeds that were not previously considered;
- (ii) Recovery or recoupment of a portion of the base cost that was not previously considered;
- (iii) Any capital gain that was previously determined in the current year plus,

in the event that a capital loss had been previously determined, the amount of that capital loss.

(iv) Any capital loss that was previously calculated will be considered as a capital gain in the year of cancellation if an asset is repurchased many years after the assessment year in which it was sold because the agreement was cancelled.

The gross income key words have been defined and explained the case laws as well related. The capital gains tax process and different circumstances have been explained. The above taxation treatment will come into existence if Bitcoin that has been kept as an asset is disposed. It can be concluded that Bitcoin transaction is catered for in South Africa under the Income Tax Act.

4.6 Summary of Bitcoin taxation implications in South Africa

- Cryptocurrencies are classified as assets by SARS (SARS 2018).
- Cryptocurrencies can be valued using the market price to determine an amount received or accumulated, as defined by the gross income standard (SARS 2018).
- Income obtained or accumulated through cryptocurrency transactions can be taxed as revenue under gross income under standard income tax regulations (SARS 2018).
- If cryptocurrency is received or accrued as a revenue asset, its value in South African Rands on the date of receipt or accrual, whichever comes first, is subject to inclusion in the gross income of the recipient taxpayer under the ITA (SARS 2018).
- received with the aim of exchanging it for goods and services may be considered a 'trading stock,' even if it was not obtained for profit (SARS 2018).

South African taxation implications of Bitcoin transactions have been discussed. The next chapter answers research Question Two (What are the regulations governing, and tax treatment of, Bitcoin in selected countries?). Therefore, the three countries chosen for this study's Bitcoin taxation treatment are discussed.

Chapter 5

Taxation Implications of Bitcoin in Canada, the USA and Australia

5.1 Introduction

This chapter addresses Research Questions Two and Three respectively (What is the tax treatment of Bitcoin in Canada, the USA and Australia? and What are the differences or similarities between the South African income tax consequences of Bitcoin and that of the three jurisdictions chosen for this study?). The aim is to offer recommendations to South Africa on how to improve the current tax laws on Bitcoin transactions.

5.2 Bitcoin in Canada

Fournier and Lennard (2014: 11) argue that the Canadian Regulatory Authorities (CRA) have been imprecise and cautious in their statements about Bitcoin. Bitcoin is a commodity rather than a 'currency' for Canadian tax purposes, hence the income tax and goods and services tax / harmonised sales tax restrictions on barter apply to Bitcoin transactions (Fournier and Lennard 2014: 11). GST is levied on taxable vendors that sell products or services in return for Bitcoin, and it must be computed using the Bitcoin's fair market value (FMV) at the time of sale.

When Bitcoin is transferred to a qualifying recipient, the FMV of the Bitcoin at the time of transfer is utilised to determine the tax-deductible value of the gift. Bitcoin can also be exchanged or sold as a commodity with the FMV of the Bitcoin at the moment of transfer determining whether the transaction is taxed (Fournier and Lennard 2014: 11). Fournier and Lennard (2014: 11) state that Bitcoin miners may be subject to taxation depending on whether their mining operations are considered as a personal, hobby or business activity. If the activity is deemed a business activity, the regular inventory value criteria apply, and miners may be able to recover losses associated with the mining operation.

The Bank of Canada's stance regarding Bitcoin is discussed next.

5.2.1 The Bank of Canada

In April 2014, a position paper was published by the Bank of Canada (2014: 01) which postulated that Bitcoin and related cryptocurrencies do not constitute a legal tender.

Bitcoin and other cryptocurrencies do not meet those characteristics and hence do not meet the definition of money.

Additionally, as a store of value, cryptocurrencies like Bitcoin are very erratic. Because the value of cryptocurrencies might change significantly over a short period of time, many are hesitant to save or invest money in them (Bitcoin in Canada 2015: 01). In a study on the development of financial innovations, the Senate's Banking Trade and Commerce Committee strongly advocated for the federal government to handle cryptocurrencies in a touchless manner. Blockchain technology is still in its infancy and should not be subject to any limiting or stifling restrictions, according to the Senate's Banking Trade and Commerce Committee, despite its immense potential (Bitcoin in Canada 2015: 01).

5.2.2 Canadian cryptocurrency and taxation

Canada has generally characterised Bitcoin as a commodity (Anning et al. 2015: 76). There are two main charging provisions in the Canadian Income Tax Act. The first requires that the persons resident in Canada pay an annual tax on their income in totality. In the second, non-residents who are exempt from sub-section 2 taxation must pay taxes on three types of income: (i) income from an office or job in Canada, (ii) income from a business conducted in Canada, and (iii) income from the sale of a taxable Canadian property. Anning et al. (2015: 76) explain that if a person's salary, fees or other sales were paid and received in Bitcoin, they would be taxable. Similarly, deductions for valid Bitcoin-related expenses would reduce one's taxable income.

The Canadian Federal Government's view on the taxation of Bitcoin is that Bitcoin is not controlled by any state or central bank and can be traded 'anonymously'. It is clear that the Canadian Government does not regard Bitcoin as money but rather as a commodity. Thus, it is important to look at the bases in which Bitcoin transactions can be taxed under Canadian taxation law.

5.2.3 Two bases of taxing Bitcoin transactions

Bitcoin received from the sale of goods and services rendered can be taxed either as (Anning et al. 2015: 76):

- barter dealings, or

- within the scope of legislated dealings.

If one sells one's goods or services in the marketplace for Bitcoin, then that is generally revenue for accounting and taxation purposes, provided that one is in the business of selling those goods and services. Bartering is the process of exchanging goods and services with other goods (Anning et al. 2015: 76), having explained the two bases on which Bitcoin can be taxed, the Canadian Income Tax Act is discussed next.

5.3 Canadian Income Tax Act

As per the Canada Government (2017: 01), tax payable by persons resident in Canada is as follows: An income tax is mandated by this Act to be paid on the taxable income of every individual who resides in Canada at any point during the assessment year. The following is the definition of taxable income: The taxpayer's income for the year, plus any increases and minus any deductions, is their taxable income for the assessment period. According to this Act, an individual's taxable income earned in Canada for the assessed year must be subject to income tax throughout the year. "Amounts must have a monetary value before they can be included in one's taxable income." Thus, the next topic of discussion is what Canadian tax law defines as money or cash.

5.4 Canadian definitions

5.4.1 Money

The Bank of Canada defines money as follows: Money refers to any asset that is broadly recognized as a method for conducting transactions or resolving financial obligations. Commodity money included things like livestock, iron, gold, silver, diamonds, and shells, according to Fournier and Lennard (2014). The majority of money in use today is found in banknotes, coins, and deposits kept in banks and other financial institutions. Money depends on a shared understanding to recognise value, whether it is a tangible item or a digital entry. Some nations or merchants accept Bitcoin as payment, although not all of them do. The next topic covered is the definition of currency

5.4.2 Currency

According to Fournier and Lennard (2014: 11,10), currency can be characterised as either units of money or a monetary system. It can also refer to specific goods that are accepted

as currency and that move through a system as a medium of trade. Additionally, currency may refer to the unrestricted transferability of money, which allows the transferee, in the normal course of transactions, to receive it free from the claims of previous owners or holders. In essence, money is said to be in circulation when it is transferred from one individual to another. Bitcoin can transmit from one party to another as a means of payment but cannot be defined as currency since it is not accepted by everyone and does not fully fit the money definition.

For one to pay taxation under the Canadian tax law, one needs to be a permanent resident in Canada or a foreign national residing in Canada for a certain duration of the year being assessed. Next, the Canadian residence definition is examined.

5.4.3 Resident

Residency status determines income tax obligations to Canada under the country's tax system. The Canadian Government (2021: 01) states that identifying one's resident status is a prerequisite to figuring out one's tax responsibilities and filing requirements. An individual's resident status is decided on an individual basis, considering all relevant facts and the individual's whole situation.

The steps below are used in determining one's resident status for income tax purposes as well as Canadian tax obligations.

5.4.3.1 Significant residential ties with Canada include:

The possession of a residence in Canada, a spouse or common-law partner in Canada, and dependents in Canada. (Canadian Government 2021: 01).

5.4.3.2 Secondary residential ties that may be relevant include:

Physical property in Canada, such as a car or furniture; social links in Canada, such as memberships in recreational or religious organisations; economic ties in Canada, such as bank accounts or credit cards, a valid driver's license in Canada, getting a passport from Canada and health insurance through a province or territory in Canada (Canadian Government 2021: 01).

All relevant factors, including residency ties to Canada and duration, object, intent, and continuity when staying within and outside of Canada, must be considered in each case in order to determine residence status (Canadian Government 2021: 01). If a person satisfies the aforementioned requirements, they are considered a resident of Canada and are subject to the appropriate taxes.

To determine if Bitcoin qualifies as an asset or property under Canadian tax law, it is crucial to review the asset definition.

5.4.4 Property

The Tax Act, subsection 123(1), defines property as: “Any property, whether real or personal, moveable or immovable, tangible or intangible, corporeal or incorporeal, including any right or interest of any sort, a share, and a choice in action, but excluding money”. According to Spano (2015: 14), as Bitcoin belongs to the individual who mines or creates them or who owns the wallet containing the Bitcoin address, it should be treated as property for tax purposes. As a result, the owner of that wallet has a legal claim to Bitcoins. The property definition includes any property intangible or tangible, hence Bitcoin can be seen as intangible property or intangible asset. Therefore, it is important to study the asset definition next.

5.4.5 Bitcoin as an asset

People who buy and sell Bitcoin as a personal store of value are doing it as if it were a commodity. For the taxpayer, any resulting gains or losses could be taxable income or capital. Spano (2015: 13) indicates that it is important to highlight that while losses were considered, their deductibility was not addressed. It can be assumed that a taxpayer who incurred a loss on Bitcoin acquired as a capital asset would qualify for a capital loss. According to Canadian law, income gains are fully taxable. For Canadian taxation purposes, the following facts are applicable (Spano 2015: 13):

- Bitcoin is a digital (intangible) currency.
- Bitcoin can be exchanged between individuals without the need for a central authority's approval or authorisation.
- Individuals computational power is used to create Bitcoin.
- Bitcoin can be traded for products and services or sold for fiat currency.

- Bitcoins are used as a medium of exchange for a variety of directives.

Based on the above, it can be concluded that Canada has no legislation formulated on taxing Bitcoin and Bitcoin transactions. However, they have, for the purpose of taxation, classified Bitcoin as property or commodity as well as an intangible currency. Therefore, when the asset is sold it gives rise to revenue, capital gain/losses arise. Capital gains and losses are discussed next.

5.5 Capital gains and losses

According to the CRA, capital gains occur when a capital asset is sold, or is believed to have been sold, for more than the total of its adjusted cost base plus subsequent costs and expenses. Conversely, “capital losses occur when a capital asset is sold, or is believed to have been sold, for less than the total of its adjusted cost base and subsequent costs and expenses”. Capital property includes depreciable assets as well as any assets that, if sold, would generate a capital gain or loss (Canadian Government 2021:01). People typically purchase capital property as a source of income or as an investment. This excludes the company's inventory and other trading assets.

Most people buy Bitcoin for investment purposes or to sell at a later stage. Therefore, classifying Bitcoin as property is fitting. If Bitcoin can be classified as property and be taxed as such, then the miners of Bitcoin need to be taxed as well. Therefore, it is important to look at ways of obtaining Bitcoin in Canada.

5.6 Ways of obtaining Bitcoin

Bitcoin can be acquired through the process called mining, barter transaction or can be bought from Bitcoin vendors with the fiat currency. Next is the discussion of mining and bartering transactions taxation consequences.

5.6.1 Mining of Bitcoin

Bitcoin shall be recorded as "property" if it is bought with the intention of reselling it for a profit at a price equal to its market value when it is received (Spano 2015: 14). Bitcoin miners are in the business of mining Bitcoins and selling them at a profit at a later stage. Another way of obtaining Bitcoin is through bartering. This is discussed next.

5.6.2 Bartering

'Bartering' is defined by the Tax Court of Canada as the acquisition of an asset without paying cash or taking on a liability. Similarly, the CRA defines bartering as "trading by exchanging one commodity for another, and a barter transaction occurs when two or more people agree on a reciprocal trade of products or services and carry out that exchange without the use of money" (Fournier and Lennard 2014: 11). As a result, for a transaction to be classified as a barter transaction, two parties must be present. The parties must agree to a reciprocal exchange of goods and services, as well as exchanging the value of such commodities and services without the use of money (Fournier and Lennard 2014: 11).

The Canadian government and its legislators have formulated some laws to try and regulate the Bitcoin. Also, they have made sure that for tax purposes, it is taxable as property or as a commodity. The Bitcoin system and its transactions continue to remain private and cannot be accessed by anyone outside the network. This is still a challenge for all policy makers.

5.7 Recent developments in Canada

Some goods and services can be bought online and from retailers who take digital currencies, according to the Government of Canada's digital currencies portal (The Law Library of Congress 2018). Open markets where digital currency can be purchased and traded are known as cryptocurrency or digital currency exchanges. In Canada, cryptocurrency is not accepted as legal tender. Instead, the Financial Consumer Agency of Canada states that the Canadian dollar is the country's official currency. The Currency Act R.S., c. B2, s. 1 defines legal tender as banknotes issued by the Bank of Canada in accordance with the Currency Act.

Cryptocurrency mining can be done as a business for financial gain or as a non-taxable pastime. The gains from mining Bitcoin for a living must be included in the taxpayer's yearly income if they do so (The Law Library Congress 2018: 26). Such income is calculated using the value of the taxpayer's inventory at the end of the year, as established by the rules in Part XVIII of the Regulations addressing inventory valuation and Section 10 of the ITA.

Digital currencies are subject to the provisions of Canada's Income Tax Act (ITA). The Financial Consumer Agency of Canada states that anything that a seller would sell for digital currency must be recorded for tax purposes, as revenue by the seller (The Law Library of Congress 2018: 26). The Canada Revenue Agency (CRA) states that the same rules that apply to barter trades, also apply to the use of digital currency as payment for goods or services and the fair market value of any products or services exchanged for digital currency, such as Bitcoin, will be subject to the application of the CRA and GST (The Law Library of Congress 2018: 26).

The Canadian legislation classifies digital currency as a commodity. According to the Financial Consumer Agency, any gains or losses that a taxpayer makes from buying or selling digital currencies must be included in their tax returns (The Law Library of Congress 2018: 26). The taxpayer would have either taxable income or capital gains from any gains and losses. The CRA issued a bulletin that contains some information that is useful for determining whether a taxpayer's transactions are capital or income (2018).

As the first country to implement tax regulations for virtual currencies, Canada is perhaps the most advanced with a regulatory scheme for digital currencies. While cryptocurrencies may not be considered legal tender in Canada, their use is permitted (Morton 2020: 06). The CRA takes the place that cryptocurrency is a service. Using cryptocurrencies to pay for goods or services should be seen as a barter transaction, according to the CRA (Morton 2020: 07). The CRA also stated that the rules applicable to barter transactions apply to the use of digital currency to buy goods or services. Morton (2020: 07) added because cryptocurrencies are classified as a commodity under Canadian laws, Canadian citizens are required to report the gains or losses associated with the disposition for the cryptocurrency, and cryptocurrency should be treated as if it is capital upon completion of their taxes (Morton 2020: 07).

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) requires businesses that deal with cryptocurrencies to register (Morton 2020: 07). Additionally, companies are required to follow a number of compliance procedures, including reporting and record-keeping, under Bill C-31. Virtual currency exchanges that are headquartered outside of Canada but offer services to Canadian individuals or corporations are likewise subject to this regulation. However, Bill C-31 and its modifications were never introduced

due to Canada's parliamentary system (Morton 2020: 07). Companies that deal in cryptocurrencies are no longer regarded by the law as regulated money services businesses (MSBs) because the virtual currency amendments to Bill C-31 are now classified as "Amendments Not in Force."

The CRA essentially uses a broad, principles-based methodology in the cryptocurrency guide to determine whether crypto-assets are held on capital or income accounts as per (Romano 2023: 46). Income from disposing of cryptocurrency may be considered business income or a capital gain, according to the CRA, which also offers several criteria that can be used to assess whether a taxpayer is operating a business. Further to that (Romano 2023: 46) explains that the recommendations found in IT-479R and the cryptocurrency guide mostly adhere to case law that has been established over time for non-crypto assets. To ascertain whether an asset is held on an income or capital account, taxpayers and tax experts are instructed to examine a number of factors, including how frequently the taxpayer engages in comparable transactions; how long the taxpayer has owned the asset; and whether the taxpayer has any background or understanding in the asset's markets; whether the taxpayer studies the markets for the assets and looks into possible purchases; whether purchases are financed primarily on margin or by some other form of debt; and whether the taxpayer has advertised or otherwise made it known that he or she is willing to purchase the assets. Whether or not such transactions are a part of the taxpayer's ordinary business (Romano 2023: 46). The above has been designed by the CRA to help the taxpayer in when it comes to paying tax on crypto assets related transactions.

5.8 Summary of Bitcoin in Canada

Although Bitcoin is considered a commodity for taxes purposes, it is still not accepted as legal cash in Canada. Because it is legal, Bitcoin users are free to utilise their currency anyway they see fit. The owner of the Bitcoin, such as South Africa, is responsible for reporting all transactions. In order to control the usage of Bitcoin in their nation, the Canadian tax authority has worked hard to provide guidance on how to handle bartering transactions and how to categorise the sale of Bitcoin held as an asset. When Bitcoin is sold as an asset in Canada, capital gains and losses tax is also applied.

Their approach is like that of South Africa. Next the taxation implications of Bitcoin in USA are discussed.

5.9 Bitcoin in the USA

The IRS guidelines are clear: Bitcoin is not currency but rather property and should be treated as such for taxation purposes. Next the definitions of gross income, currency, assets, capital gains and resident are studied to ascertain if Bitcoin / virtual currency does form part of these definitions.

5.10 USA definitions

The Internal Revenue Service (IRS) published in late March 2014 a set of instructions on how general tax principles apply to virtual currencies like bitcoin. After all, Bitcoin is not considered cash for tax reasons by the IRS. Rather, Bitcoin is treated as a property, such as how gold or stock in a corporation is taxed. The IRS guidance of 2014 has more to do with how currency should be handled for tax purposes. The guidance reemphasizes the nature of Bitcoin as convertible virtual currency and identifies a concomitant tax compliance risk flagged by the Government Accountability Office (GAO) ([Anning et al. 2015: 211]).

The IRS says using virtual currency is a realisation event, and the amount realised is equal to the fair market value of the property. (Anning et al. 2015: 212). In addition, when the virtual currency is sold, a capital gain or loss is calculated by subtracting the seller's basis from every sale price. The characterization of gains or losses depends on whether the taxpayer is an investor in the virtual currency (capital gain/loss) or a trader/broad business owner with inventory or other property classified as inventory (ordinary income/loss).

5.10.1 Gross income

Gross income, as defined under Section 61(a) of the Internal Revenue Code (IRC), includes — generally to think of it in layman's terms — money from whatever source paid, payable, in fees, commissions, favourable applications and similar items accepted for services. (United States Department of Treasury Report 2016:11) The term gross income is somewhat ambiguous since it speaks of income arising out of anything. It also

fails to include revenue from property sales. The USA definition of currency must be checked to see if Bitcoin and virtual currencies are covered.

5.10.2 Currency

The Federal Reserve Bank of St. Louis (1991: 34) defines currency as something that acts as a medium of exchange or the medium itself. This definition is general in that it says anything that serves as money. For a better understanding, the foreign currency definition is discussed.

Section 988 of the IRC (1986) regulates how foreign currency transactions are handled, as explained in the US Department of Treasury Report (2016: 11). Therefore, a Section 988 transaction is any transaction that is priced in non-functional currency or in which the value of one or more non-functional currencies is utilised to determine the amount the taxpayer is entitled to receive (or must pay) as a result of the transaction. According to the US Department of Treasury Report, Bitcoin does fall within the non-functional currency category out of these two categories. But it's also critical to examine the asset definition.

5.10.3 Asset

The IRC does not define the term "asset" (Berger 2016: 20). In contrast, real and depreciable property used in the taxpayer's trade or business, accounts and notes received in the regular course of trade or business, certain forms of intellectual property, and property owned by the taxpayer (but not inventory for sale to clients in the regular course of business) are all considered capital assets, according to Section 1221 of the IRC (1986). In the United States, Bitcoin is considered property. Therefore, Bitcoin is an asset and should be taxed as such in USA. If Bitcoin is categorised by USA as property other than inventory, upon sale of such property CGT will apply.

5.10.4 Capital gains

The IRC does not define CGT (Berger 2016: 19). Depending on the transaction, the taxpayer will need to record and declare gains or losses each time Bitcoin is used to buy or sell items because it should be considered property. The person must be a permanent

resident or a foreign resident who was in the nation throughout the assessment year for the aforementioned to be applicable. Next, the resident's definition is examined.

5.10.5 Resident

Until their green card is cancelled or voluntarily relinquished in accordance with US immigration law, holders of green cards are considered permanent residents of the country. Having a green card is the same as being a lawful permanent resident, according to KPMG LLP (2015: 05). This requirement, which is relevant regardless of one's actual presence in the country, is predicated on possessing the legal right to enter and stay in the United States.

5.11 Ways of obtaining Bitcoin and tax treatment

5.11.1 Mined Bitcoins

As stated by Akins et al. (2015: 10), the Bitcoin that is produced throughout the mining process is considered payment for the services that the miner provides. Like business owners, miners give the Bitcoin system a predetermined service. The profitable miner receives is essentially payment for their labour. Moreover, Akins et al. (2015: 10) clarify that since Bitcoin is seen as compensation rather than a transfer of wealth, it is subject to a distinct income tax treatment. When Bitcoin is mined and considered payment for services done, the value of the produced Bitcoin is immediately taxed to the miner. A taxpayer must disclose income in the year in which his or her entitlement to receive it has been established and the amount can be calculated with reasonable certainty.

Akins et al. (2015: 10) state that while earnings from the sale of real estate may qualify for capital classification, compensation is classified as regular income. The entire income of a taxpayer determines the various rates of ordinary income taxation. Regardless of how long the taxpayer has or controls the item before selling it, gains are subject to the same rate of taxation. The capital rate is capped at 15% for the majority of taxpayers. However, current legislation allows some taxpayers to have an ordinary rate greater than 39.6% on their last dollar of income received. The full amount of compensation is reportable as income when a valuable receipt is recognised as compensation. An individual's gross revenue as of the date of receipt must include the fair market value of each virtual currency they mine (Anning et al. 2015: 212). Furthermore, Anning et al. (2015: 212)

note that a miner must pay self-employment tax on the net earnings from their compensation if they engage in mining as part of their business or trade rather than as an employee. Information regarding Bitcoin mining from a tax standpoint was few or nonexistent in 2016 due to the novelty of Bitcoins and other digital currencies (Bitcoin Community 2016: 08).

Furthermore, people could estimate the worth of a Bitcoin in their local currency when they received one because they were already being sold on several online markets at that time (Bitcoin Community 2016: 08). Therefore, it was possible that the taxing authority might see receiving a Bitcoin from a single mining operation or through a mining pool as a taxable event. The taxpayer would then be required to determine and record the Bitcoins' estimated dollar value. These amounts, which would be paid out in Bitcoins, would be recognized as earnings from Bitcoin mining operations. Coins that have been mined and sold however, a taxpayer would also be taxed on the increase between the initially recorded values when first received, and the value sold for.

The makes it clear that the amount of the swapped transaction must be declared as gross revenue and subject to taxation during that specific tax period. For taxation reasons, the USA has categorized Bitcoin as property, just like gold or shares of a company's capital stock. Since bartering is a means of obtaining Bitcoin, this procedure is covered next.

5.11.2 Bartering

According to the IRS, bartering is the practice of trading one good or service for another. Typically, no money is exchanged. "Any person or organisation having members or clients that contract with each other to jointly trade or barter property or services" is the definition of a barter exchange given by the IRS (2015a). The categorization excludes people who engage in informal trading (Berger 2016: 38). Additionally, the Bitcoin network is still private because Bitcoin transactions are still decentralized. Those who engage in informal bartering are excluded from the definition as their transactions are immeasurable. Most Bitcoin vendors conduct business informally. Unless explicitly exempted, anything one gets as payment for goods or services is normally taxable income (Bitcoin Community 2016: 03)

There has been much work done to regulate Bitcoin in USA. This current study looks at the latest developments below.

5.12 Recent developments in the USA

According to a taxpayer's total income, ordinary income tax rates are tier-based (Chatham and Duncan 2019: 09). Regardless of how long the taxpayer has or controls the item before selling it, gains are subject to the same rate of taxation. Capital rates are capped at 15% for most taxpayers, but current legislation allows some taxpayers to have an ordinary rate greater than 39.6% on their last dollar of income earned. When the whole amount of pay is recognized upon receipt, it must be reported. CGT is so applicable during sales. Moreover, a gain is recorded when the value of assets acquired through a sale or exchange surpasses the capital assets' tax base, as stated by Chatham and Duncan (2019: 10). The fair market value on the day of receipt serves as the foundation for determining gains and losses, which are based on the cryptocurrency's revenues from any subsequent transactions.

Moosa (2019: 19) clarifies that for, in the United States, virtual currency is regarded as property for federal tax purposes. The same fundamental tax issues that apply to real estate purchases also apply to transactions involving virtual currencies. Virtual currencies are considered property and are therefore governed by conventional tax laws. As a result, Federal income tax withholding under the Federal Insurance Contributions Tax Act (FICA) and the Federal Unemployment Tax Act (FUTA) applies to Bitcoin received as remuneration. (Moosa 2019: 20). Furthermore, if a taxpayer's Bitcoin mining is regarded a business, his or her self-employment earnings are subject to self-employment tax (Moosa 2019: 20).

Rather than the frequently higher ordinary income tax rates (of 10%, 12%, 22%, 24%, 32%, 35%, and 37%), Chatham and Duncan (2019: 10) state that the CGT on Bitcoin held for more than 12 months is taxed at one of three rates (0%, 15%, or 20%), depending on the individual's filing status and taxable income. If held for a year or less, Bitcoin would result in short-term capital gains (or losses), which would be subject to ordinary rates of taxation. In relation to cryptocurrencies, obtaining a coin through mining results in another taxable transaction. The IRS views the value of cryptocurrency acquired in this

way as regular and self-employment income. Chatham and Duncan (2019: 10) provide some specific examples that would generally be considered taxable transactions:

- Trading Bitcoin for fiat money, like the US dollar (USD),
- The Japanese yen (JPY), the European Euro (EUR), and others
- Buying a good or service using cryptocurrency, and
- Mining cryptocurrency and receiving cryptocurrency.

Alternatively, the following would generally not be considered taxable events:

- purchasing cryptocurrency with fiat currency (such as USD, EUR, JPY and others),
- donating cryptocurrency to a 501(c)(3) non-profit organisation, and
- giving cryptocurrencies (if the donation is substantial enough, a gift tax may apply).

According to Moosa (2019: 20), Bitcoin transaction values do not have any value in US dollars or any form of fiat currency issued by the government. They only have value when measured in Bitcoin. How is fair market value calculated if taxpayers use the recommended reporting approach as stated by Moosa (2019: 20) to assess fair market value for reporting purposes? According to the IRS's Notice, taxpayers who are subject to taxes on Bitcoin must include the fair market value of the virtual currency, expressed in US dollars, in their gross income on the day they received it. Although Bitcoin is exchanged on a number of exchanges, its price is determined by market supply and demand.

Moosa (2019: 20) states the fair market value of Bitcoin must be determined by converting Bitcoin from one USA dollar to another fiat currency which can be converted back into a USA dollar using the applicable exchange rate that appears to be reasonably and consistently used in line with the cost of the transaction and such transactions, if there are several.

Whether Bitcoin mining should be classified as a business or a hobby is another factor to consider when determining the tax status of the activity (Chatham and Duncan, 2019: 13). A Bitcoin miner can distinguish between their activities being a business and a hobby by

looking at the nine variables in the IRC. The most crucial factor is whether the person intended to turn a profit. In addition, Chatham and Duncan (2019: 13) state that the IRS is likely to categorize Bitcoin mining activities as a for-profit business in the absence of further proof. The IRS views a Bitcoin miner's operations as a for-profit business if the miner has turned a profit in three of the previous five years. This classification enables the miner to weigh mining expenses (such utility bills and depreciation of computer resources) against revenues from profitable Bitcoin mining, as well as losses from business operations against other sources of income. The ability to deduct these expenditures and offset mining gains for a commercial miner as opposed to a hobbyist miner may be crucial, given the high costs of computer equipment and utilities connected with mining.

Governmental organizations in the USA have different views on cryptocurrencies, and state laws vary (Morton 2020: 05). With about 26% of all Bitcoin transactions occurring there, the USA has the second-highest volume (Morton 2020: 05). The US government, in contrast to other major countries, has not retroactively set any regulatory standards. As a result, the nation lacks a uniform regulatory framework, making it ill-equipped to handle the global cryptocurrency phenomenon (Morton 2020: 05). In the absence of a coherent, uniform set of regulations, many blockchain start-ups steer clear of the USA due to the potential tax implications down the road.

According to a report by Morton (2020: 06), FinCEN does not regard cryptocurrencies as money, but they regard exchanges as currency transmitters because tokens are entirely using cash alternatives. The IRS views cryptocurrencies as property, and it advised taxpayers in a public statement issued in March 2018 to track their use of 'virtual' money. Multiple governmental bodies claiming authority over Bitcoin Exchanges have also emerged. Moreover, the Securities and Exchange Commission has decided that cryptocurrencies are securities (Morton, 2020: 06). However, the Commodities Futures Trading Commission (CFTC) designated Bitcoin a commodity.

In other words, Morton (2020: 06) stated the USA's inconsistent federal legal framework, and lack of understanding regarding cryptocurrencies has placed everyone involved with cryptocurrencies in jeopardy of being subjected to criminal activity. Short of comprehensive federal laws, states now must devise their own regulations about the use

and description of cryptocurrencies. Morton (2020: 06) also addressed three possible categories to organize the competing regulations found in each State's laws, (1) flexible approach states; (2) stringent regulators; and (3) States without regulations (these states have no regulation and have not adopted virtual currency). The issue of unregulated virtual currencies still exists.

In the USA, an alternative tax regime for cryptocurrency assets has been suggested in the USA tax law doctrine (Durdu and Ustun 2023: 17). Ensuring tax compliance with cryptocurrency assets is the goal of one of these proposals. This proposal states that tax-paying vendors or service providers who take payments in cryptocurrency should be accountable for determining the identity of the individual making the cryptocurrency payment. As per Durdu and Ustun (2023: 17) those who choose to make payments in secret should be required to pay a special tax, which these taxpayers should be required to collect. If a person discloses their identity to a seller directly or through an application, they should be released from this special tax when using cryptocurrency assets to make payments.

Durdu and Ustun (2023: 17) further proposed that payments for crypto assets should be subject to a tax that is high enough to encourage people to reveal their identities. People would be compelled to pay the relevant taxes linked to their cryptocurrency asset holdings because of being encouraged to disclose such holdings. This will persuade buyers to disclose their details, which will be beneficiary to IRS. The tax exemption will serve as an incentive to those who disclose their identity.

The other proposal is that cryptocurrency assets should be treated similarly to gift miles that are obtained from things like travel or airline tickets explained Durdu and Ustun (2023: 17). Even though the doctrine is debatable, these miles are typically not regarded as taxable in the US federal income tax system until they are converted into dollars. Crypto assets might be treated similarly to miles, which are typically not taxable until they are exchanged for dollars. When the cryptocurrency asset is exchanged for US dollars, income and inclusion in the tax base would happen. Tax authorities and taxpayers would find it easier if cryptocurrency assets were exempt from taxation until they were converted to dollars. This would also encourage the use of cryptocurrency assets rather than discourage it.

According to the previously reviewed material, cryptocurrencies are considered assets or property in the United States and should be taxed accordingly. Much progress has been achieved in producing rules that will direct both taxation authorities and Bitcoin users, even if the USA may still find it difficult to control the cryptocurrency.

5.13 Summary of Bitcoin in the UAS

Virtual currencies are now considered property for taxes purposes in the United States of America. Profits and losses from the sale of Bitcoin are acknowledged. This is comparable to how Canada and South Africa treat their residents. Like South Africa and Canada, it is the owner's duty to reveal Bitcoin transactions. Because USA authorities have taken such drastic measures to regulate the usage of virtual currency, users are compelled to disclose all their Bitcoin-related activities.

The last country to review is Australia and its taxation laws on Bitcoin.

5.14 Bitcoin in Australia

The Australian Tax Office (ATO) states that using Bitcoins for transactions is comparable to engaging in bartering and has comparable tax implications (ATO 2014: 02). The ATO claims that Bitcoin is neither money nor a foreign currency, and thus its supply is not regarded as a financial supply for GST purposes. Bitcoin is a taxable asset for CGT purposes, but (ATO 2014: 02). The ATO (2014:02) confirms that if a person is not in business or engaged in an activity and simply pays for goods and services in Bitcoin, there will be no income tax or GST implications. Additionally, the capital gain or loss resulting from the disposal of Bitcoin used to purchase goods and services for personal use or consumption will be disregarded as a personal use asset, provided that the cost of the Bitcoin does not exceed \$10,000.

5.15 Determination of taxable income

Assessable income must be determined before allowable deductions are subtracted to determine taxable income. Losses and expenses must have been incurred in order to generate assessable revenue in order for them to be deductible. Real estate and financial

instrument sales have a restricted number of deductions that can be used to calculate CGT (Ausserlechner 2013: 03). Because taxable income is reported in monetary value, it is critical to review the currency definition.

5.16 Australian definitions

5.16.1 Currency

Since the Assessment Act of 1997 does not define currency, it is understood to mean what it normally means. Accordingly, the Commissioner of Taxation (2014b: 02) stated that it is essential to check the word's definition in a dictionary. Currency is defined as "that which is currently in use as a means of exchange," according to the Macquarie Dictionary (1999). The fact that currency is ultimately related to and may be considered a species of a broader category of money is one of its most important characteristics, according to this definition. According to Section 16 of the Currency Act 1965, any monetary unit that the laws of another country have authorised is the only other type of currency that can be used to conduct transactions and make payments. This information is provided by the Commissioner of Taxation (2014b: 02). Therefore, an essential component of the Money Act of 1965's idea of currency is the legal and legislative adoption of a monetary unit. According to the Currency Act, as money represents a state's exercise of sovereignty, it needs to be regulated by some kind of legal system.

Bitcoin is not regarded as a foreign currency for the purposes of Division 775 of the Income Tax Assessment Act 1997 since it is not recognised by the laws of any other sovereign nation as a unit of account or a form of payment (The Commissioner of Taxation 2014: 02). Since Bitcoin is more of a piece of property than it is a money in Australia. The definitions of property and asset will be the subject of the following discussion.

5.16.2 Property

According to the Commissioner of Taxation, property is defined as both tangible and intangible property under paragraph 136(1) of the Fringe Benefit Tax Assessment Act (2014a: 01). Virtual currencies are included in the definition of property as intangible assets. So, CGT regulations will be applicable when sold. The Australian tax law's CGT rule is covered next, followed by the definition of an asset.

5.16.3 Asset

There is no definition for the word "asset." Instead, "capital gains tax asset" is the term used. According to subsection 108-5(1) of the Income Tax Assessment Act (ITAA) (Act no. 38 of 1997), the ATO defines a CGT asset as any kind of property or a lawful equitable right that does not meet the criteria for "property" (ATO 2014: 01). (ATO 2014: 1). The term "foreign currency" is particularly stated in a list of examples of CGT assets in Article 108-5(2) (ATO 2014: 01).

5.16.4 Capital Gains Tax

There can also be CGT ramifications on the disposal of Bitcoin in carrying on a business. Though Deloitte International Tax (2016, 02) hold the view that the quantum of capital gain made is reduced by any amount included in assessable income as ordinary income. Capital gains and losses, however are considered everyday business income or loss so corporate tax rates may apply. Capital gains and losses on real estate for other legal entities than limited companies are also subject to separate regulations. The sale of property is subject to income tax pursuant a tax structure that was implemented in 2012, and functions on the reduced rate of 25% for any holding term. Some restrictions apply when you want to hold for long periods of time and the tax base is calculated, while deductions are minimal A privately-owned and used house is not subject to taxation. A tax framework was established already in the year 2011 as regards to private individual owner financial instruments.

Basically, capital gains are taxed at the lesser of 25% and half the usual 50% rate, regardless of the holding term. Individuals must pay a CGT of 27,5% on capital gains from investments and real estate (Deloitte International Tax 2016: 02).

For the above legislation to apply, one needs to be a resident or be deemed as such. This definition is discussed next.

5.16.5 Resident

A person is regarded as a resident of Australia if they have a habitual place of residence there and a person is deemed to have a habitual habitation if they stay in Australia for longer than six months (Deloitte International Tax 2016: 02). One can be taxed in

accordance with Australian tax regulations once their residency status has been established. A person can obtain Bitcoin by mining, bartering or buying it from a Bitcoin vendor. The study examines Bitcoin that is received as money for goods and services, which is often referred to as mining and bartering.

5.17 Ways of obtaining Bitcoin and tax treatment

5.17.1 Bitcoin as payment for goods and services/ bartering

Bitcoin is taxable in Australia, pay taxes on Bitcoin as ordinary income if you received Bitcoin for business services rendered (Deloitte International Tax 2016: 02) Not Cash Acceptance from barter transaction goes through the same steps Fortunately, it all starts with a reliable Bitcoin exchange dictating the market value against Australian dollars. If however, the business accepts Bitcoin in exchange for goods and services, GST may apply (Deloitte International Tax 2016: 02). If the goods and services were subject to GST, the company will be eligible for Input tax credits on all GST charged on Bitcoin in full as well.

In other words, “if a person carries on a business and has purchased trading stock using Bitcoin they are allowed to claim a deduction equivalent to the arm's length value of the GST owing in respect of any taxable Bitcoin supplies made in the course or furtherance of that business” (Deloitte International Tax 2016: 02). GST levy is calculated based on the market value of products and services. This is typically equal to the Bitcoin's fair market value at that point in time.

5.17.2 Mining Bitcoin

Any money received from the transfer of mined Bitcoin to a third party would be included in assessable income if the individual is engaged in the business of mining Bitcoin, according to the Commissioner of Taxation (2014: 02). The cost of any expenses resulting from the mining activity would be deducted. For losses resulting from mining operations, non-commercial loss clauses may be applicable. Any money that an Australian resident receives has to be included in their taxable income.

There has been much work done in regulating Bitcoin in Australia. The latest Australian developments are discussed next.

5.18 Recent developments in Australia

Greef (2019: 04) explains that Bitcoin was not recognised as 'money' for GST purposes or as a foreign currency in Australia prior to July 1, 2017. Furthermore, Greef (2019: .04) indicates that the ATO issued a number of rulings regarding Bitcoin's GST in December 2014. Regarding the GST treatment of Bitcoin, the ATO ruling said that it is considered an intangible property under the New Tax System (Goods and Services) Act 1999 (GST Act) and the New Tax System (Goods and Services Tax) Regulations 1999 (GST Regulations). As a result, the exchange of Bitcoin for money is now subject to GST, while the trade of Bitcoin for other taxable goods or services is also subject to GST because it is a property exchange.

Subsequently, Greef (2019: .04) notes that the Australian government excluded Bitcoin trading from GST in the 2017/2018 Budget Report. As a result, when consumers utilize Bitcoin to buy goods and services that are already liable for GST, they will not face double taxation. After noticing a substantial drop in interest in Bitcoin in Australia, the Australian Treasury altered its rules and tax policies on the cryptocurrency (Greeff 2019: 04). Greeff (2019: 04) further explains that Bitcoin has been treated as money in Australia since 1 July 2017, although GST still applies when digital currencies are exchanged for other products and services that are subject to GST. Transactions involving the purchase and sale of Bitcoin on regulated exchanges and trading platforms are not subject to GST. This means that Bitcoin can now be included in taxable income.

According to Das et al. (2019: 07), from April 2018, all digital currency exchange firms must register with the Australian Transactions and Reporting Analysis Centre (AUSTRAC). This move completes the first wave of reforms aimed at strengthening Australia's anti-money laundering (AML) system. The move was taken in response to a lawsuit filed against the Commonwealth Bank of Australia for violating AML rules. All companies involved in the transmission of money, whether physical or digital, are required by the AML system to gather information to authenticate the user's identification, monitor transactions, and report suspicious or cash transactions exceeding \$10 000. This has eliminated the use of Bitcoin and its systems for money laundering.

In the publication entitled the Tax treatment of Cryptocurrency in Australia, the ATO (2020) suggests that a business that is not a cryptocurrency firm but uses cryptocurrency in its operations, must account for cryptocurrency in the same way that it would with other assets or goods. The ATO (2020) further explains that the fair market value which may be obtained from a reputable cryptocurrency exchange, is one approach to determine the worth in Australian dollars. When company assets are acquired using cryptocurrencies, a person is entitled to a deduction depending on the market value of the item received (including trading stock) (ATO 2020). The ATO (2020) further explains that if an investment is made in cryptocurrencies solely in the anticipation that its value will rise, any profit made from selling it will be taxed as a capital gain. However, an isolated Bitcoin transaction or series of transactions can result in ordinary income if:

- The transaction was entered into with the aim of making a profit, and
- The transaction is part of a business operation or commercial in nature.

According to Morton et al (2021: 07), the ATO has expanded its data-matching program to encompass cryptocurrency activities starting in the 2014–15 income year, while maintaining close collaboration with the Australian Securities and Investment Commission (ASIC) and the Australian Transaction Reports and Analysis Centre (AUSTRAC) (ATO, 2021; 2019b). Designated service providers (DSPs) provide pertinent data to the ATO, which it compares to taxpayer records (ATO 2021). A plethora of third-party crypto asset tax calculators have been introduced into the market to help tax professionals and taxpayers fulfil their compliance obligations. This will assist both the taxpayers as well as the tax practitioners.

Table 5.1: Summary of the taxes applicable for identified Bitcoin uses in Australia

Users	Tax treatment
Consumer	
Buys Bitcoin	No Gross Standard Tax on this transaction.
Buys Bitcoin sells Bitcoin for profit or loss	Apply individual income tax rules.
Spends Bitcoin on goods or services	Apply Gross Standard Tax.
Consumer gifts Bitcoin to third party	Apply individual income tax rules.
Trader	
Buys Bitcoin.	Treat as trading securities under mark-to market rules.
Sells Bitcoin.	Realised profits and losses are reflected in earnings and are taxed accordingly.
Investor	
Buys Bitcoin.	Treat as available-for-sale securities under mark-to market rules.
Sells Bitcoin.	Realised profits and losses are reflected in earnings and are taxed accordingly.
Merchant	
Merchants acquire Bitcoin for sale of goods or services.	Merchant collects GST on domestic sales. Retained Bitcoins are treated as trading securities under mark-to market rules if merchants bear price volatility risk.
Merchants dispose of Bitcoin at profit or loss.	Realised profits and losses are reflected in earnings and are taxed accordingly if merchants bear price volatility risk.
Payment Processor	
Payment processors accept Bitcoin.	Processing fees are treated as revenue. Retained Bitcoins are treated as trading securities under mark-to market rules if processor bears price volatility risk.
Payment processor disposes of Bitcoin at profit or loss	Realised profits and losses are reflected in earnings and are taxed accordingly if processor bears price volatility risk.
Other stakeholders	
Exchange platform	Commission or fee is treated as revenue as long as exchange does not bear price volatility risk.
Value-added service provider	No GST on the transfer, storage, distribution, or processing of Bitcoin.

Source: Das *et al.* (2019: 07)

5.19 Summary of Bitcoin in Australia

Australia treats virtual currencies as money, which is not the same as South Africa, Canada and the USA. Therefore, all income generated from virtual currencies should be included in taxable income. Moreover, all virtual currency exchange firms must register with the AUSTRAC, thus reducing money laundering. Australia has done a lot in regulating the virtual currency Bitcoin. Thus, it is difficult for the taxpayer to evade tax on virtual currencies. To address Research Question Three (What is the difference or similarities between South African income tax consequences of Bitcoin and that of the three jurisdictions chosen for this study?), a comparison is made of all four countries, identifying the similarities and differences in their approaches of regulating virtual currencies including Bitcoin. This is discussed next.

5.20 Comparison of taxation of Bitcoin in South Africa, Canada, the USA and Australia

This section answers Research Question Three (What are the differences or similarities between South African income tax consequences of Bitcoin and that of the three-jurisdictions chosen for this study?).

Canada, the USA and Australia have issued guidelines for taxing Bitcoin. They have similarities in the ways they all classify Bitcoin as property for taxation purposes, Australia classified Bitcoin as money after 2017 July, according to Greef (2019: 04). Losses or gains that arise from sale of Bitcoin are recorded as capital gains or losses for taxation purpose. Miners of Bitcoin are regarded as self-employed and are taxed as such. If one receives Bitcoin in exchange for goods or services, then the Bitcoin value needs to be recorded as income if individual is in business. Bitcoin does not fall under currency, as it does not fit the currency definition for all these countries. The only challenge with the measures put in place by these countries in trying to regulate Bitcoin is that the onus of disclosing owning a Bitcoin, or any Bitcoin transaction is on the taxpayer. The Bitcoin network and its ledger remain private. Legislators need to centralise the Bitcoin network to avoid tax evasion.

Table 5.2 shows the current taxation treatment for Bitcoin for each country chosen for this study.

5.20.1 Summary of countries' legislation requirements for Bitcoin

Legislators and tax officials have worked very hard to enact laws governing the usage of Bitcoin in their nations. The pertinent laws from each of the nations that were considered for this study are listed below.

5.20.1.1 South Africa

- Cryptocurrencies are classified as crypto assets by SARS (SARS 2018).
- According to the gross income standard (SARS 2018), the value of cryptocurrencies can be used to calculate the amount received or accumulated.
- According to conventional income tax legislation, earnings earned or collected through cryptocurrency transactions may be subject to gross income taxation (SARS 2018).
- The value of cryptocurrencies in South African Rands on the date of receipt or accrual, whichever occurs first, must be included in the recipient taxpayer's gross income under the ITA if it is received or accrued as a revenue asset (SARS 2018).
- Bitcoin received with the aim of exchanging it for goods and services may be considered a 'trading stock', even if it was not obtained for profit (SARS 2018).

5.20.1.2 Canada

- According to The Law Library of Congress 2018: 25, cryptocurrencies are not accepted as legal currency in Canada.
- The Law Library of Congress (2018) states that the CRA has classified cryptocurrencies as commodities.
- The revenue from a business that mines Bitcoins for profit must be included in the taxpayer's income for the year if the business is conducted commercially (The Law Library of Congress 2018: 25).
- Purchasing products or services using bitcoin is seen as a barter transaction (Morton 2020: 06).

5.20.1.3 USA

- IRS declared that Bitcoin was to be treated as property for tax purposes in the USA thus, making it a capital asset (Moosa 2019: 19).
- If the Bitcoin miner returned a profit during three of the last five years, the IRS automatically classifies that activity as a for-profit business (Moosa 2019: 19).
- The FinCEN does not consider cryptocurrencies to be legal tender (Morton 2020: 06). Claiming tokens represent other value that substitute for cash, FinCEN has classified exchanges as money transmitters (Morton 2020: 06).
- According to the SEC, cryptocurrencies are securities (Morton 2020: 06).

5.20.1.4 Australia

- Bitcoin is treated as money in Australia (Greeff 2019: 04).
- • According to the ATO's ruling on Bitcoin's GST status, under the New Tax System (ATO 2020), Bitcoin is a type of intangible property.
 - Anti-Money Laundering stipulates that all parties involved in the transfer of funds, whether in the form of cash or cryptocurrencies, must gather data in order to verify the user's identification (Das et al. 2019: 07).
 - Bitcoin trading was exempt from GST by the Australian government (Greeff 2019: 04).
 - According to ATO 2020, individuals who manage a company that is not a cryptocurrency firm but makes use of Bitcoin must account for cryptocurrencies in the same manner as they would other assets.
 - According to ATO 2020, cryptocurrency obtained in exchange for products or services must be included in one's regular income.

Table 5.2: Taxation laws and Bitcoin taxation treatment comparisons

	South Africa	Canada	United States	Australia
Countries' legislation on virtual currency	Virtual currencies are now categorised as crypto assets in South Africa. It should be included in one's gross income if it was purchased for profit-making purposes; but, if it was held as a long-term investment, capital gains or losses would apply at the time of sale.	Since Bitcoin is a commodity rather than a currency for Canadian tax purposes, transactions involving Bitcoin are subject to the income tax, goods and services tax, and harmonised sales tax regulations.	The IRS released guidelines in late March 2014 that clarified the application of current general tax rules to virtual currencies such as Bitcoin. Bitcoins are not considered currency for tax purposes, according to the IRS.	In Australia, Bitcoin is considered currency (Greeff 2019: 04). According to the ATO's ruling on Bitcoin's GST status, under the New Tax System, Bitcoin is considered an intangible asset (ATO 2020).
Gross income definition	According to the definition, "In the case of any resident, the total amount, in cash or otherwise, received by or accrued to or in favour of such resident: or in the case of any person other than the resident, the total amount, in cash or otherwise, received by or accrued to or in favour of such person from a source within the Republic, during such a year or period of assessment, excluding receipts or accruals of capital in nature" (Hart et al. 2016:71).	Bitcoin has typically been described as a commodity in Canada (Anning et al. 2015: 76). A Canadian resident's worldwide income is subject to annual taxation. Income from an office or job in Canada, income from a business conducted in Canada, and income from the sale of a taxable Canadian property are the three types of income that non-residents who are exempt from subsection 2s are required to pay taxes on.	According to United States Department of Treasury Report 2016: 11, gross income is defined as "income from whatever source derived, including (but not limited to) 'compensation for services, including fees, commissions, fringe benefits, and similar items'" under Section 61(a) of the IRC.	The taxable income calculated is where assessable income are ascertained and allowable deductions are then subtracting . "Generally, to be deductible, losses and expenses must have been incurred to generate an assessable income". (Ausserlechner 2013: 03).
Definition of a resident	Hart et al. (2016: 71) explains that a resident as "ordinary resident in the Republic or was not at any time during the relevant year of assessment ordinarily resident in the Republic of	To determine residence status, the Canadian Government (2021: 01) explains that "all the relevant facts in each case must be considered, including	An individual is a resident of the USA under the lawful permanent test if he/she is a "green card" holder, having a green card is called having "Lawful permanent resident status" (KPMG	An individual is a resident if he/she is domiciled or has a habitual abode in Australia. A habitual abode is presumed if the individual stays in Australia for more than six months.

	South Africa	Canada	United States	Australia
	SA, “if that person was physically present in the Republic. For the periods or periods exceeding 91 days in aggregate during the relevant year of assessment”, as well as for a period or periods exceeding 91 days in aggregate during each of the five years of assessment preceding such year of assessment and for a period exceeding 915 days in aggregate during those five preceding years of assessment.	residential ties with Canada and length of time, object, intent, and continuity while living inside and outside Canada”.	LLP 2015: 05).	(Deloitte International Tax 2016: 02).
Definition of currency	The word currency is not defined in South African Income Tax Act (SARS online: 2018). before anything can form part of ‘gross income’.	According to Fournier and Lennard (2014: 11,10), “currency can be understood as a system of money, or as monetary units. Currency can also mean specific objects known as money that constitute a medium of exchange and that circulate within a system”.	The Federal Reserve Bank of St. Louis (1991: 34) defines currency as the media of exchange or something that serves as a media of exchange.	Currency is not defined in the Assessment Act and therefore takes its ordinary meaning. Thus, the dictionary meaning of the word issued (Commissioner of Taxation 2014: 02). The Macquarie Dictionary defines currency as which is current as a medium of exchange, the money in actual use.
Definition of asset	The Act defines an asset as “property of any nature, being movable or immovable” (Hart et al. 2016: 71). Includes: tangible or intangible assets, rights or interests in any property and gold or platinum coins but excluding currency (money).	Spano (2015: 13) explains that “Bitcoins are best classified under Canadian legislation as digital goods/ commodity, and that these can be considered as property”.	“The term asset is not defined in the USA IRC (Berger 2016: 20), but reference is made to the meaning of “Capital asset” in section 1221 of the IRC (1986) and includes property held by the taxpayer (but does not include inventory for sale to customers in the ordinary course of trade business), depreciable property and real property used in the taxpayer’s trade or business, accounts and notes received in the ordinary course of trade or business, certain intellectual property and supplies regularly used or consumed by the taxpayer in the ordinary course of trade or business,	Not defined but rather CGT is defined, which is applied upon the disposal of an asset or property.

	South Africa	Canada	United States	Australia
			and certain other less commonly encountered assets”.	
Capital gains tax (CGT)	<p>“Section 26A of the Income Tax Act 58 of 1962 (as amended) refers to the rules contained in the Eighth Schedule of the Act for determining a taxable capital gain or loss. Following the calculation of a taxable capital gain or loss according to the specific rules, a gain will be included in the taxable income calculation and SARS will carry any loss forward to the following year of assessment”.</p>	<p>The Canadian Regulatory Authority guide for Capital Gains T4037 defines Capital Gains as arising “when one sells, or are considering sold, a capital property for more than the total of its adjusted cost base and the outlays and expenses incurred to sell the property” (Canadian Government 2021: 01) and therefore, “a capital loss arises when you sell, or are considered to have sold, a capital property for less than the total of its adjusted cost based, and the outlays and expenses incurred to sell the property” (Canadian Government 2021: 01).</p>	<p>CGT is not defined by IRC (Berger 2016: 19). “Bitcoin should be taxed as property”. This means that each time Bitcoin is used to purchase goods or is sold, the taxpayer will have to record, and report gains or losses, depending on the transaction.</p>	<p>There may be CGT consequences where Bitcoin is disposed of as part of carrying on a business. However, Deloitte International Tax (2016: 02) explains that any capital gain is reduced by the amount that is included in one’s assessable income as ordinary income.</p>
Bartering	<p>Bartering is not defined under the South African Income Tax Act.</p>	<p>The Tax Court of Canada has defined “barter” as acquisition of an asset other than by paying cash or assuming a liability. In the same vein, the CRA has stated that bartering consists of trading by exchanging one commodity for another and that a barter transaction is affected when any person agrees to a reciprocal exchange of goods or services and carries out that exchange usually without using money.</p>	<p>The IRS defines the term “bartering” as trading of one product or service for another. “Usually there is no exchange of cash. A barter exchange is any person or organisation with members or clients that contract with each other to jointly trade or barter property or services” (IRS 2015(a)). This definition does not apply to individuals who barter on an informal basis (Berger 2016: 38).</p>	<p>Bartering involves the direct exchange of goods and services without reference to money or money value.</p>

Table 5.2 Indicates that South Africa, the USA, Australia and Canada are specific that virtual currencies are not a legal currency and therefore cannot be classified as currency. Canada classifies virtual currencies as a commodity for taxation purposes. USA and Canada have classified Bitcoin as property and intangible property, respectively. This classification attracts Capital gains taxations. Which is the similar approach as South Africa. The definition of a currency for all four countries is similar in the sense that there needs to be physical cash for the amount to be included as gross income for taxation purposes. Therefore, virtual currencies do not fall under the currency definition in any of the four countries. Lastly, the asset definition is South Africa includes assets of any form (tangible or intangible), hence the classification of virtual currencies as crypto assets. Canada also classified virtual currencies as commodity/ property.

Taxation implications of Bitcoin in Canada, the USA and Australia have been discussed. A summary of each country's legislation has been presented as well as the comparison with South African taxation treatment of Bitcoin transactions. The next chapter provides a summary of the study and recommendations on the improvement of the existing tax treatment in South Africa.

Chapter 6

Summary, conclusions, findings and limitations

6.1 Introduction

The focus of this chapter is to conclude this study, and summarise the findings and comparing the findings to the research objective. This chapter covers the limitations of the study, the contributions of the study and recommendations for further study.

6.2.1 Chapter 1

Chapter 1 looked at the background to the study, including the aim and objectives and research questions.

The aim of this study was to explore the tax implications of Bitcoin in South Africa.

The study aim was achieved by fulfilling the following research objectives:

- I. To explore the South African tax implications of Bitcoin.
- II. To explore the tax implications of Bitcoin in the other three jurisdictions (Canada, Australia, and the USA); and
- III. To compare the South African income tax implications of Bitcoin with those of the three jurisdictions under study.

The research questions addressing the objectives are formulated as follows:

- I. What are the income tax implications of Bitcoin in South Africa?
- II. What are the Bitcoin taxation implications in the three jurisdictions (Canada, Australia, and USA)?
- III. What are the differences or similarities between the South African income tax implications of Bitcoin and those of the three jurisdictions in the study?

Research Objective and Question One are answered in Chapter 4 and research objectives and questions two and three are answered in Chapter 5.

The study research methodology is also discussed briefly, and the dissertation layout is outlined in this chapter as the research foundation.

6.2.2 Chapter 2

Chapter Two provided information that is currently available on Bitcoin taxation in South Africa, which serves as the foundation for the purpose of this discussion. It included the SARS and National Treasury take on Bitcoin transactions. In addition, it provided the background on how Bitcoin transactions came into being and ways/ means that one can obtain Bitcoin. This chapter also provided a discussion of the different scholarly works that are relevant to this study. South African empirical studies are discussed, thus adding to the researcher's knowledge of various scholarly works that have been published and are of a similar nature to this study.

The latest developments on SA Bitcoin taxation are also discussed to make sure that the study remains relevant and up to date with the latest legislation. SA policymakers have offered much guidance in relation to Bitcoin taxation which is more in line with most developed countries. The onus now lays with the taxpayers to comply with the Bitcoin taxation laws in SA.

6.2.3 Chapter 3

This chapter examined the research strategy adopted to address this research objective. This study uses a doctrinal research strategy using document review, a qualitative research method and interpretative paradigm, because its aim is to understand the South African income tax implications of Bitcoin and the measures put in place in the selected countries to tax Bitcoin.

The above research tools were used in order to ensure that this paper is aligned to the required standard of dissertation writing and that it can also be used by other researchers in the similar field. Ethical considerations were discussed, as well as credibility, transferability and confirmability, thus eliminating non-compliance with the IREC requirements as well as confirmation of the study findings' legitimacy. The measures taken to ensure that the study's findings were authentic and can be validated were discussed.

6.2.4 Chapter 4

To address research Question One, Chapter 4 included a thorough examination of Bitcoin's tax ramifications in South Africa. The South African Income Tax Act 58 of 1962 was examined in Section 4.1 in relation to Bitcoin. Section 4.2. identified various laws associated with Bitcoin transactions and relevant case laws -precedents were obtained from various services available on the internet, legal consultancy services and the legislation database published on the government website. Section 4.3 provided insights from SARS (2018) which provided guidance on the quantum of taxation in relation to crypto assets,

Cryptocurrency gains or losses can be roughly categorised using references to three main scenarios, each of which may result in a different set of tax implications. Another way to obtain a coin is through mining:

- (i) When cryptocurrency is mined as confirmation of transactions are completed by computerised public ledger because of solving complex computer algorithms through the miners' (i.e. cryptocurrency mining machine) computers. When the verification of these transactions is made, the miner receives ownership of the new coins as part of the networked public ledger.

When mining bitcoin is completely successful, it will thereafter result in an instant accrual or receipt. This indicates that unless the cryptocurrency is sold or traded for cash as would be customary in a cash transaction (see Chapter 2) or as bartering, as covered in section 4.3 below, it is trading stock.

- (ii) Through private transactions or cryptocurrency exchanges, which are effectively cryptocurrency marketplaces, investors can convert local currency into cryptocurrencies (or vice versa).
- (iii) Cryptocurrencies can be traded for goods or services. This exchange is considered to be a barter exchange. Thus, the same guidelines for barter transactions are applicable.

6.2.4.1 Summary of Bitcoin taxation implications in South Africa

- Cryptocurrencies are classified as assets by SARS (SARS 2018).
- According to the gross income standard (SARS 2018), the value of cryptocurrencies can be used to calculate the amount received or accumulated.
- According to conventional income tax legislation, earnings earned or collected through

cryptocurrency transactions may be subject to gross income taxation (SARS 2018).

- The value of cryptocurrencies in South African Rands on the date of receipt or accrual, whichever occurs first, must be included in the recipient taxpayer's gross income under the ITA if it is received or accrued as a revenue asset (SARS 2018).
- Bitcoin received with the aim of exchanging it for goods and services may be considered as 'trading stock' even if it was not obtained for profit (SARS 2018).

6.2.5 Chapter 5

This chapter Answered Research Questions Two and Three (What is the tax status of Bitcoin in Canada, USA & Australia? and How do the South African income tax consequences of Bitcoin differ from those in the three jurisdictions I have chosen to study?

This chapter sought to respond to these two research questions and make recommendations to South Africa on how best the current tax laws of South Africa may be tailored or amended to address transactions relating to Bitcoin. The differences or similarities between the SA income tax consequences of Bitcoin and those of the three jurisdictions selected for this study were tabulated, as presented in a summative manner:

South Africa, the USA, Australia and Canada all make a point of saying that virtual currencies are not a legal currency, so cannot therefore be categorised as such.

Virtual currencies were labelled by Canada as a commodity for tax purposes. While they have been classified as property by the USA and intangible property by Canada. That classification comes with Capital gains taxation, which is a form of a similar approach to that of South Africa.

The four countries have comparable definitions of what constitutes currency (the amount has to be physically cash in order for it to be part of gross income and subject to taxation. Thus, in Jamaica (like the other three countries), virtual currencies are not seen as being currency.

The asset definition in South Africa captures any kind of asset, whether it is tangible or intangible, and hence the classification of virtual currencies as crypto assets in Canada classifies virtual Currencies as A Commodity / Property.

This chapter also rated the best way to invest based on latest updates in each country, making it possible for no recent Bitcoin taxation laws to be left out.

6.2.5.1 Summary of countries' legislation requirements for Bitcoin

Much work has been done by legislators and taxation authorities regarding legislating the use of Bitcoin in their countries. Below is a list of the relevant legislation by each country chosen for this research.

Canada

- According to The Law Library of Congress 2018: 25, cryptocurrencies are not accepted as legal currency in Canada.
- The Law Library of Congress (2018) states that the CRA has classified cryptocurrencies as commodities.
- The revenue from a business that mines Bitcoins for profit must be included in the taxpayer's income for the year if the business is conducted commercially (The Law Library of Congress 2018: 25).
- Purchasing products or services using bitcoin is seen as a barter transaction (Morton 2020: 06).

USA

- The IRS declared that Bitcoin was to be preserved as property for tax drives in the USA, thus making it a capital asset (Moosa 2019: 19).
- If the Bitcoin miner returned a profit during three of the last five years, the IRS automatically classifies that activity as a for-profit business (Moosa 2019: 19).
- The FinCEN does not consider cryptocurrencies to be legal tender (Morton 2020: 06).
- On the grounds that tokens represent other value that substitute for cash, FinCEN has classified exchanges as money transmitters (Morton 2020: 06).
- According to the SEC, cryptocurrencies are securities (Morton 2020: 06).

Australia

- • In Australia, Bitcoin is regarded as currency (Greeff 2019).
- According to the ATO's ruling on Bitcoin's GST status, under the New Tax System (ATO 2020), Bitcoin is a type of intangible property.
- According to anti-money laundering regulations, all parties that handle the transfer of funds, whether they be digital or physical, must gather data to verify the user's identification (Das et

al 2019: 07).

- Bitcoin trading was exempt from GST by the Australian government (Greeff 2019: 04).
- According to ATO 2020, individuals who manage a company that is not a cryptocurrency firm but makes use of Bitcoin must account for cryptocurrencies in the same manner as they would other assets.
- According to ATO 2020, cryptocurrency obtained in exchange for goods or services must be counted as regular income.

6.3 Key findings

The key findings of this study are:

- For the individual running a business and receiving Bitcoin from selling goods and services rendered, the Bitcoin value should be disclosed as part of the business revenue and all expenses incurred in producing or manufacturing goods, including the cost of rendering the services, should be deducted. Thus, Bitcoin received from operations is taxed as taxable income.
- If Bitcoin is acquired as an asset and if the owner's intention is to hold it for long-term investment, then it will be capital in nature, but if the purpose is profit-making, that's revenue in nature. If it is of a capital nature, CGT will apply.
- Bitcoin should be classified as a crypto asset (SARS 2021).
- Bitcoin is catered for under gross income under the phrase 'cash and otherwise'.
- Bitcoin received under bartering transactions is basically received in exchange for goods and services rendered. The fair market value of the services rendered should be included in the gross income (Witch 2016: 75).

Cryptocurrency assets obtained through mining will be taxed as follows (Mistry 2023: 32):

- a. Cryptocurrency assets held at the start of the year (stock opening) and not sold in the previous year will be allowed as a deduction under section 22(2) of the Income Tax Act 58 of 1962.
- b. Expenses incurred by the taxpayer, as the taxpayer is a business and electricity, rental and salaries that were incurred while the taxpayer was mining will be deducted from income in the year of assessment the expenses were incurred; provided that the expenses were incurred in the producing of income as defined in Section 11(a) of the Income Tax Act 58 of 1962.

6.4 Limitations

South African and the other three studies from countries, this study was limited to info studied or available online. The research study was conducted on income tax inferences of Bitcoin transactions in South Africa along with three other countries. We gathered the relevant laws or publications of each country, and academic research on Bitcoin taxation which were obtainable online.

This research uses a doctrinal research strategy using document review, a qualitative research method and an interpretative paradigm. However, the challenge was to collect relevant literature, as well as the ambiguity and complexity associated with the provisions of tax statutes, challenges in interpretation and possibilities of misinterpretation of each publication, and the responsibility of not providing recommendations based on misinterpreted information.

6.5 Recommendations

- a) SARS should issue guidelines on how to tax Bitcoin received as a gift/ donation.
- b) SARS should issue a guideline on how to tax Bitcoin transactions received as remuneration.

6.6 Future research

To prevent delays in the disclosure of Bitcoin transactions that are scheduled to be taxed each year, more research might investigate how the government and/or the tax authority can access the Bitcoin network. Due to Bitcoin's decentralized network, the person currently bears the responsibility of disclosure.

Any tax ramifications arising from differing investing choices could be the focus of a study on why some people invest in Bitcoin and others do not. Expanding the research to cover all cryptocurrencies is also suggested.

6.7 Contribution of the study

This study contributes to the body of information on Bitcoin taxation in South Africa, which is an area that needs more investigation. Furthermore, long before Bitcoin was created, cryptocurrencies or crypto assets had already irritated lawmakers worldwide.

Scholars in related fields can use this research as a model or guide to conduct a study that aims to make recommendations by first learning about practices in other countries and then applying those practices to make suggestions in the home country.

6.8 Summary

South African Income Tax Law and ancillary case laws were examined to fulfil the study's first goal. By examining the Bitcoin tax rules of the three nations, the second goal was accomplished. South African income tax consequences of Bitcoin were compared or contrasted with the three chosen jurisdictions for this research. By way of this review, recommendations were developed focusing on appropriate taxation in South Africa, Canada, the United States of America and Australia. The research aims and questions were:

Research objectives:

- I. To analyse the South African tax consequences of Bitcoin.
- II. To analyse the tax consequences of Bitcoin in the other three jurisdictions (Canada, Australia and the USA).
- III. To compare the South African income tax consequences of Bitcoin with those of the three-jurisdiction chosen for this study.

This study addressed each research objective by answering the following research questions:

The questions to be answered for the objective are as follows:

- IV. what are the income tax consequences of South Africa Bitcoin
- V. What are the consequences to Bitcoin for taxation in respect of the three jurisdictions (Canada, Australia and United States)?
- VI. South African income tax consequences of Bitcoin as compared to the three jurisdictions selected for this study.

Research Question One was answered in Chapter Four using taxation laws and case laws. Research Question Two and three were answered in Chapter Five through studying the three countries chosen for this study and their Bitcoin tax laws, and tabulating similarities and differences with those of SA. This allowed the recommendation to be practical in SA. In addition, the records studied for this study confirm that Bitcoin Network is secure and safe. The

Bitcoin transactions are subject to 1962 Income Tax Act in South Africa. Therefore SA parliamentarians ought to come up with means of centralizing the Bitcoin network in order to avoid tax evasion.

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Appendices



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Appendix 1

Ethical clearance letter

17 November 2017

IREC Reference Number: **REC 4/16**

Ms S P M Jangaza
Unit No. 64
Hillview Heights
37-63 Celtic Road
Caversham Glen
Pinetown

Dear Ms Jangaza

Taxation implications of Bitcoin: a South African perspective

The Institutional Research Ethics Committee acknowledges receipt of your final data collection tool for review.

We are pleased to inform you that the questionnaire has been approved. Kindly ensure that participants used for the pilot study are not part of the main study.

Please note that FULL APPROVAL is granted to your research proposal. You may proceed with data collection.

Yours Sincerely,

Professor J K Adam

Chairperson: IREC

EDITING LETTER

696 Clare Road

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Durban

4091

22 July 2025

To: Sinegugu Portia Makhosazana Jangaza

Taxation implications of Bitcoin: A South African perspective

This letter serves as confirmation that the aforementioned thesis has been language edited. The requisite grammatical conventions have been met/recommended. Suggestions have been made where necessary.

Any queries may be directed to the author of this letter.

Regards

MP MATHEWS

Lecturer and Language Editor

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