NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 3676 [NW4248E]
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3676. Mr W W Wessels (FF Plus) to ask die Minister of Finance:

(1) What is the number of taxpayers who declared capital profits regarding cryptocurrency to the SA Revenue Service during the tax years 2016, 2017 and 2018;

(2) whether the National Treasury intends to introduce specific legislation, regulations and/or measures to (a) regulate the mining and trading of cryptocurrency in South Africa and (b) improve the levying of tax on the profits regarding cryptocurrency, as is already in place with the identification and levying of taxes on other traditional capital profits; if not, why not; if so, what are the relevant details and periods;

(3) whether he will make a statement on the matter?

[NW4248E]

REPLY

(1) SARS is not able to accurately trace the number of declaration pertaining to capital progits on cryptocurrency

The existing income tax return forms currently do not make provision for taxpayers to specifically declare capital profits regarding cryptocurrency trades, however work is underway within SARS to consider the amendment of the tax forms for the 2019 tax season in order to cater for the description of other assets (which will include cryptocurrencies) by means of a specific description field on the form.

Taxpayers who have made some form of declarations regarding cryptocurrency trades, have captured such trade as a form of “other trade income” or “other trade loss”, and have made reference to a description of digital/crypto currency trading (e.g. Bitcoin Cash, Litecoin (LTC), Ethereum (ETH), Zcash (ZEC) to name a few).

(2) The South African Revenue Service (SARS) issued a media release on 6 April 2018 clarifying that it would apply normal income tax rules to cryptocurrencies.

In line with the announcement made in Annexure C of the 2018 Budget Review, the Taxation Laws Amendment Bill, 2018, proposes amendments with respect to the treatment of cryptocurrencies for income tax and value-added tax purposes.

These amendments ensure that that losses on cryptocurrencies may only be set off against profits from cryptocurrencies (otherwise known as ring-fencing), clarify that cryptocurrencies cannot be classed as personal use assets for capital gains tax purposes and treat cryptocurrencies as financial services for value-added tax purposes. Further, National

Treasury does not wish to pre-empt the work of the Intergovernmental Crypto Assets Regulatory Working Group (CAR WG). The CAR WG is looking into all aspects of cryptocurrencies, related blockchain concepts and use cases. This is being done with a view towards developing a cohesive governmental understanding and response to cryptocurrencies.

In keeping with the development of a unified intergovernmental regulatory framework, the CAR WG has broad intergovernmental representation and includes representatives from the Financial Intelligence Centre, Financial Sector Conduct Authority, National Treasury, SA Reserve Bank and SARS. It is anticipated that, following broad industry comment and participation, the CAR WG will be ready to release a final research paper on the subject during the course of 2019. The OECD/G20's Inclusive Framework on BEPS is also working on the tax challenges arising from digitalisation, which include the issue of cryptocurrencies. An interim report was issued earlier this year (https://www.oecd-ilibrary.org/taxation/tax-challenges-arising-from-digitalisation-interim-report_9789264293083-en) with a view to issuing a final report in 2020.

(3) N/A