

# Japan Tax Bulletin

## Taxation of gains from cryptocurrency trading for individual taxpayers

### September 2018

The National Tax Agency (“NTA”) released guidance on the tax treatment of gains from cryptocurrency trading for individual taxpayer on December 1, 2017. While there are many individuals who made profits from trading cryptocurrencies, it was not clear how to declare the gains in their personal income tax return.

#### 1. Classification of income

Gains from cryptocurrency trading are treated as miscellaneous income. This means the gains are taxed with other income at progressive rates. Income other than retirement income, forestry income and certain gains constitutes total income and is taxed at progressive rates. The maximum rate is 55% (45% for national tax and 10% for local tax). As capital gains from selling stocks, bonds, beneficiary interests in mutual funds etc. are separately taxed from total income at 20% (15% for national tax and 5% for local tax), gains from cryptocurrency are taxed differently from other financial instruments.

However, where an entrepreneur holds cryptocurrency as business assets and uses them to settle receivables or payables, gains from their use are treated as business income.

#### 2. Calculation of income from cryptocurrency transactions

In the NTA guidance, the following transactions are described:

##### (1) Sale of cryptocurrency

Example

Purchased 4 Bitcoins for JPY 2,000,000 on March 9 and sold 0.2 Bitcoin for JPY 110,000 on May 20.

Income = 110,000 – (2,000,000 x 0.2/4) = JPY 10,000

##### (2) Use of cryptocurrency

Example

Purchased 4 Bitcoins for JPY 2,000,000 on March 9 and settled a payable for the purchase of goods of JPY 155,000 with 0.3 Bitcoin on September 28

Income = 155,000 – (2,000,000 x 0.3/4) = JPY 5,000

##### (3) Exchange of cryptocurrency

Example

Purchased 4 Bitcoins at JPY 2,000,000 on March 9 and used 1 Bitcoin for purchasing another cryptocurrency whose value was JPY 600,000 on November 2.

Income is 600,000 – 2,000,000/4 = 100,000.

##### (4) Acquisition cost of cryptocurrency

Purchased 4 Bitcoins for JPY 2,000,000 on March 9

Sold 0.2 Bitcoin for JPY 110,000 on May 20

Used 1 Bitcoin for purchasing another cryptocurrency whose value was JPY 600,000 on November 2.

Purchased 2 Bitcoins at JPY 1,600,000 on November 30

The purchase cost of cryptocurrency should be calculated by the moving average method and may be calculated by the total average method if continuously used.

Date	Purchase/(sale or use) (JPY)	Quantity purchased/(sold)	Holding balance (JPY)	Quantity held	Unit price (JPY)
March 9	2,000,000	4	2,000,000	4	500,000
May 20	(100,000)	(0.2)	1,900,000	3.8	500,000
September 28	(150,000)	(0.3)	1,750,000	3.5	500,000
November 2	(500,000)	(1)	1,250,000	2.5	500,000
November 30	1,600,000	2	2,850,000	4.5	633,333

#### 3. Loss from cryptocurrency transaction

Losses from cryptocurrency transactions cannot be offset against other types of income but can be offset against other miscellaneous income.





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