

Dear Australian Government The Board of Taxation,

Please see below my written submission to the REVIEW OF THE TAX TREATMENT OF DIGITAL ASSETS AND TRANSACTIONS

My life story re crypto – From an individual perspective.

I am adopted from South Korea & proud to be an Australian enjoying all the strong foundations this country can provide to help an individual grow should they seek it out and be willing to put in the effort. Fast forward, years and after working as a laborer and suffering heavy losses in the equity market after getting greedy chasing quicker gains listening to trading stock forums, and losing in the leverage trading game, I decided to get an accounting degree to learn more about the monetary system as a whole.

Since graduating and switching fields I stumbled across cryptocurrency, and from 2016 – 2017 I have watched it develop and grow at a fast pace to this day I am learning more and more. I would say in 2016 -2017 I discovered “crypto” in terms of investing fiat capital, I believe I bought Litecoin (LTC) as my first purchase not knowing anything beyond it moves faster than Bitcoin (BTC) through Coinbase. Here is where my journey began, I encountered nothing but scams and more scams via the ICO phase, I naively thought incorrectly I would be financially free through Bitconnect (I am actually on a victim list from the U.S Department of Justice). For context, I had actually heard of Bitcoin back in 2011 and had I invested then it would have been via Mt Gox and we all know where that eventually ended. Looking back it is the greed that as an individual I choose to chase and really the lack of knowledge about what a cryptocurrency is that led to my downfall relating to profits.

Then around 2018, I was about to give up on crypto and chase oil derivatives or FOREX trading, lucky I kept researching enough to stumble across a cryptocurrency called HEX & the Founder Richard Heart via a YouTube video, he did not promote any promises, rather he taught the flaws about the current cryptocurrency ecosphere. Pointing out vulnerabilities in Bitcoin itself and previous inflation bugs, the lack of performance, and how the code actually functions aka spaghetti code. The importance of holding your keys to your own coins and operation security was also mentioned, as well as the risk of leverage trading, liquor, and ladies, the three things most likely to send a man broke. This particular code allows in essence time delaying gratification, allowing you to save yourself from yourself, something that is not often taught in the crypto space. There is also a large active community that generally promotes the same positive social values, of course, it is always best to apply sound judgment and has actually been recognized by large news outlets, this is also not common in crypto (<https://www.bloomberg.com/news/articles/2022-06-18/memories-of-bitcoin-beating-returns-keep-hex-holders-hanging-on#xj4y7vzkg>).

Years passed I learned more about blockchain technology, smart contracts, and what DEFI is built on Ethereum (ETH) vs just buying random tokens with a promise. Now I am able to conduct blockchain analysis and have begun to learn how to read the code from smart contracts and then the next step would be writing actual code. Key examples and reasons why knowledge is important in this space are the disgusting Celsius scam where it encourages you to give up your coins to someone else in the hope they do not run off with them, based on a promise of a return. Understanding more about blockchains also saved me from chasing many other platforms that offered leverage trading on coins like Terra Luna which crashed and crippled a good portion of the entire crypto space, another example of what to avoid with the right knowledge! Now knowing this I think back to 2011, had I invested in Mt GOX at that time vs learning about the Bitcoin code and setting up my own wallet which I owned the keys for and locking

it away till today I could have been better off, it basically would have turned a little into a lot, I digress though.

Regarding the development of the tax treatment and reporting come tax time, from an individual with a background in accounting who specialises in cryptocurrency at this point, here is my analysis.

Basically, I have seen nothing but losses previous to HEX because I did not buy and hold, I have now learned how to understand wallet addresses and transactions on different blockchains and learned how to research and understand what was happening with the use of Cryptotaxcalculator software (<https://cryptotaxcalculator.io/au/>) vs excel spreadsheets.

Seeing everything on-chain and putting it all together and maintaining, everything is now very straightforward, it is basically automated and great innovation, although very time-consuming to start from scratch. Blockchains are basically a giant spreadsheet and understanding what functions are taking place on a smart contract is important. I did come across a good example linked below, as well as my own experience. <https://www.linkedin.com/pulse/clinic-australian-tax-staking-rewards-post-mortem-anchor-/?trackingId=OFugmTaC70KdmNDImUZHyg%3D%3D> What I found, was one limitation which was rectified via an updated from the software I use, the identification of some transactions pulled from the on-chain data. There was one issue similar to the above example article basically, you need to understand what is taking place on-chain, in HEX there is a BURN / MINT / GOOD ACCOUNTING function, and the software needed to recognize this BURN function and MINT function in the software, later to my delight the software did get updated and pulled the data correctly specifically the burn address making it even easier. I still keep manual records but can always fall back to the on-chain data to retrieve it although again.

Now I did not just arrive at this level of knowledge as you can see it took many years of research and analysis with current-day software making it easier to collaborate data. What I think this space needs is more information relating to what a transaction(s) is on a blockchain then it can be categorized correctly which current software performs quite well.

In regards to regulation, I strongly believe less is more with a focus on categorisation, the on-chain data literally spells it out. I guess the dream would be to see Australia benefit from this technology in the long term because countries like Puerto Rico for example offer very favorable treatment to cryptocurrency holders (<https://lifeafarcapital.com/why-cryptocurrency-investors-should-think-about-moving-to-puerto-rico/>), imagine if Australia were to follow or at least not stifle innovation I could see a lot of wealth decide to move their capital to our shores, the opposite is true.

One concern is the censorship aspect displayed by the US and the banning of Tornado cash which is essentially code. It appears to punish a few. They made it basically illegal I believe to use for law-abiding citizens of the U.S. Imagine trying to run a business and your employer's knowing how much money you have and where it is going, it is not logical, also donating to say Ukraine maybe the Russian government would take an interest in knowing who is sending money abroad, on-chain it is easy to identify. This is probably why retailers would make use of a middle man such as crypto.com as opposed to directly displaying their wallet addresses <https://www.theaustralian.com.au/business/technology/pay-for-petrol-with-crypto-cryptocom-launches-across-australian-service-stations/news-story/84a381a2ced60d180f6d85124fc04a54>. The addition of Circle blacklisting ETH addresses effectively freezing USDC <https://cryptoslate.com/circle-blacklists-all-tornado-cash-eth-addresses-effectively-freezing-usdc/> is not the most assuring thing for the crypto space either, where does it all end, could it be a greater trend for regulation that will stifle innovation in the space. Imagine

government itself making use of stablecoins to pay or receive without middlemen with no way to mask it all its funds would be readily visible on-chain for all literally all ranging from individuals to foreign nations!

In closing, I think overall the space the way I see it is easy really if you understand how blockchains work and what you are buying, and how it actually works on-chain. The importance of operation security, holding your own coins, and not giving your coins away to middlemen unnecessarily must also be stressed. Last but not least it must be taught that giving your coins to middlemen for potential interest or leverage trading on platforms is not investing in “crypto” rather it is the exact opposite. Individuals need to be an informed and alert citizenry in this regard.

Finally, now this may sound absurd, however, if you think about it logically, if draw a picture of a pony how much did you earn or how much is it worth, not anything until you actually sell it.

Thank you for your time.

Kindest Regards

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