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To: Tax Digital Assets
Subject: Tax Treatment of Digital Assets and Transactions

Review of consultation questions:

1. Is the current tax treatment of crypto assets clear and understood under the Australian tax law? If not, what are the areas of uncertainty that may require clarification?

The current tax treatment of crypto assets is clear and appears to be well understood by the taxpayers. Most discussions we have with people reflect a very good understanding of how to treat cryptocurrency in regards to tax.

2. Do crypto assets and associated transactions feature particular characteristics that are 'incompatible' with current tax laws? If yes, what are these and why are they incompatible?

It does have characteristics that are incompatible. Cryptocurrency eases a lot of the friction that currently exists with our financial systems, and as a result increases the frequency in how often a taxpayer has a transaction (at the current rate of growth you might imagine taxpayers making several transactions every second for the rest of their lives). This in turn leads to an increase in the number of events that require a calculation for tax.

The "algorithms" designed within our tax system by legislators on how to calculate capital gains are not efficient enough. Computer scientists and mathematicians obsess over how their run time or space requirements grow as the input size grows and our tax legislation has completely ignored this aspect when designing CGT. As a result the increased efficiency in financial transactions is being met with an increased inefficiency in our capital gains tax calculation. So the tax burden has increased to an unreasonable level.

3. Do entities which carry on a business in relation to crypto assets or accept crypto assets as a form of payment, have a comprehensive awareness of the current tax treatment of crypto assets and their tax obligations?

Yes it appears that businesses are well informed. As a result most businesses avoid doing cryptocurrency transactions to avoid the complexity mentioned above.

4. Are retail investors aware of the current tax treatment of crypto assets? To what extent are they receiving professional tax advice?

Retail investors are very well informed, the tax plays such a huge part in their profits that most are more knowledgeable than tax agents. Although they are almost always consulting with a tax agent.

5. Do wholesale investors understand the current tax treatment of crypto assets? To what extent are they receiving professional tax advice?

Unsure of wholesale investors status, assume they are more knowledgeable than the retail investors above.

6. How can taxpayer awareness of the tax treatment of crypto assets be improved?

This seems to be a case of begging the question. It appears that the board has already concluded that the reason for Australia's cryptocurrency tax issues are caused by lack of taxpayer awareness which for the most part is untrue.

7. How should the tax transparency of crypto assets be improved, including what information tax administrations need to know about transactions for purposes of compliance and enforcement?

Transparency is not the issue. Most taxpayers are aware of what the ATO is asking them to do. The issue revolves around the lack of practicality in what the legislation prescribes.

8. What lessons can Australia draw from the taxation of crypto assets in other comparable jurisdictions, including novel ways of taxing these transactions?

Can't comment, there hasn't been any innovation here

9. What changes, if any, should be made to Australia's taxation laws in relation to crypto assets, whilst maintaining the integrity of the tax system? If changes are required, please specify the reasons.

Engage with mathematicians to design a capital gains calculation that is better than $O(n)$

10. How could tax laws be designed to ensure that they keep pace with the rapidly evolving nature of crypto assets?

Tax laws have previously been designed to provide exemptions for everyday items to prevent regular taxpayers from being required to have a deep understanding of tax laws. >50% of Australians hold cryptocurrency and every one of them is required to have a deep understanding of capital gains. We need sane exemptions so that most of these holders only have to put in a trivial amount of effort into completing their tax obligations in this area.

Kind Regards

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