

29 September 2022

Board of Taxation
C/- The Treasury
Langton Crescent
Parkes ACT 2600
via email: taxdigitalassets@taxboard.gov.au

To the Board,

Achieving Compliance Certainty for Australian Crypto Taxpayers

We write this submission in response to the consultation guide for the review of the tax treatment of digital assets and transactions.

We are a group of tax practitioners, tax lawyer and engineers in the crypto tax space, seeking to provide our feedback and recommendations on the current tax issues arising from the crypto economy.

We address and provide specific responses to some of the consultation questions outlined in the Board of Taxation's August 2022 Consultation Guide.

If you have any questions, please contact Nicholas Christie or Maryna Kovalenko by email at nick@syla.com.au or maryna@syla.com.au.

Yours faithfully,



Nicholas Christie
Co-Founder | Syla

Yours faithfully,



Maryna Kovalenko
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Acknowledgement for this submission is given to the following contributors

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Maryna Kovalenko

Syla

Meet Syla, the crypto tax software designed by an in-house team of Australian tax professionals and dedicated to serve Australian taxpayers. Syla is the only tax software that is exclusively focussed on solving crypto tax in Australia-only and currently has the most extensive coverage of Australian tax law. Our mission is to calculate and assess tax fairly and transparently for all taxpayers. Syla has been commercialised with the funding and backing of the Australian Federal Government and Queensland State Government.

Syla has been designed and implemented by a team of highly qualified and experienced tax professionals:

- Chartered Tax Adviser (CTA)
- Chartered Accountant (CA)
- Member - Institute of Public Accountants (MIPA)
- SMSF Specialist Advisor (SSA)
- Tax Lawyer (LLB)
- Chartered Valuation Surveyor
- Registered Tax Agent

At Syla, we believe that Australian taxpayers must have access to reliable and trusted tax software and information to ensure correct tax outcomes for taxpayers and tax authorities.

We address a few matters of consideration that will achieve better tax outcomes for Australia.

The Issues

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

The reality is that today's retail investors lack knowledge on whether and/or how to pay tax, given the complexity of crypto transactions. This ambiguity pushes them towards seeking help from tax practitioners to help them understand and comply with their tax obligations. The statistics show that 65%¹ of Australian taxpayers are reliant on tax practitioners to help them with their tax lodgements. Unfortunately, everyday retail

¹ Australian Taxation Office, Taxation Statistics 2019-20, Individuals – Table 1, (Tax agent returns/Total number of individuals by lodgement method) < <https://data.gov.au/data/dataset/taxation-statistics-2019-20>>.

investors are not in a position to understand complex tax laws in detail like a tax professional, and many cannot afford to obtain tax advice.

Furthermore, the challenges faced in the recent years due to lack of crypto tax law guidance and the limited propagation of knowledge in our wider tax society, tax practitioners are also not in the position to provide sound or accurate tax advice to taxpayers. Tax practitioners and taxpayers are having to rely on software that calculates crypto tax outcomes to help ease this tax administration.

We understand there are various crypto tax software that are currently available or that may come to Australia with the aim of solving crypto tax for Australian taxpayers. However, many of the foreign based crypto tax software is designed for a global market and forced to fit into Australian tax law. Tax practitioners and taxpayers should be concerned with the tax outcomes being delivered by such crypto tax software as they are not accurate. Because tax law is jurisdiction specific, we believe that crypto tax software should be designed entirely and specifically for Australian tax law.

With the complexity of the emerging crypto economy and transactions, it is vital these issues are addressed through the contemplated crypto tax reform. There should be a drive, not only for an educational reform where we can aim to improve taxpayers understanding of tax law implications but, an actual focus on raising awareness that transacting in crypto is taxable. Taxpayers should be encouraged to use tax software that ensures Australian tax law is correctly interpreted and applied to their transactions. This will ensure correct tax outcomes are achieved for taxpayers and a more accurate revenue base for the tax authorities.

Question 12: What data sources are available to assist taxpayers in completing their tax obligations and/or the ATO in implementing its compliance activities?

Taxpayers rely on transaction data from Digital Currency Exchanges (DCEs), blockchains and wallet providers to help with their tax compliance. However, particular consideration should be given to the quality of data exports available from DCEs that taxpayers rely on for their tax lodgements.

The transaction data provided from DCEs is in a non-standardised format, with various issues and problems that lead to severe inefficiencies in tax compliance. Some reporting mistakes commonly found in data exports from DCEs in order of importance are as follows:

- Restrictions and barriers on easily accessing historical transaction reports. For example, a DCE might place a limit to restrict exports going back no more than 6 months, or it may only be available through a support request. These arbitrary

restrictions prevent taxpayers from being able retrieve their complete set of transaction data;

- Missing transactions in exports that affect account balances. For example, making sure distributions, airdrops and promotional give-aways are always present in the data exports and not left out. If all the transactions from the export are summed and totalled, this should equate to the current balances reported on the DCE;
- Lack of information around transactions to ensure tax events are correctly identified and classified to determine correct tax outcomes. For example, airdrops are commonly reported as deposits, making the correct tax treatment unreliable to apply without manual review by a professional;
- Limited number accuracy and inappropriate rounding of decimal places in the comma-separated values (CSV) exports and application programming interface (API) feeds that do not match the DCE database. This leads to incorrect reporting of transaction amounts;
- Lack of time zone reported on the date and time of a transaction. This makes the date ambiguous and the transaction harder to analyse;
- Absence of important supporting information to aid in identifying transactions, such as transaction hashes and addresses where deposits and withdrawals are being set to, as this would help automate reconciliation of transfers between DCEs and wallets;
- Lack of confirmation on whether goods and services tax (GST) has been collected on a transaction;
- Absence of important components of a transaction such as the withdrawal fee or network fee charged on a withdrawal of crypto;
- The presence of redundant data in CSV transaction exports, which leads to ambiguity and double counting of transactions;

Many DCEs have already made steps to addressing these issues, though all could benefit from having clearer guidelines around what data is important and required for tax compliance purposes of their users.

Question 13: Are there intermediaries (such as exchanges) that are involved in particular crypto asset transactions that could play a role in the administration of the tax laws? If so, what would their involvement look like?

If taxpayers and tax practitioners are able to source complete and reliable data from DCEs, they are better placed to comply with tax laws. Given there are now over 455

DCEs currently registered with AUSTRAC², it is vital that standard protocols are mandated to facilitate better administration of tax laws.

We propose a national data standard for crypto transactions to be imposed and used by all DCEs in Australia. In particular, we propose the following attributes to be implemented in order to significantly reduce the current inefficiencies of transaction data obtained from DCEs.

The following attributes should be implemented as follows:

- Complete history of transaction data to be available for taxpayers on all crypto transactions;
- Complete information provided on each type of transaction for correct identification of the nature of the transaction;
- Disclosure of the exact amounts involved in each transaction;
- Full accuracy of decimal places to be reported to the same accuracy kept in the database of the DCE;
- Date/ timestamp to be reported – in ISO8601 format, including time zone and kept to the same time accuracy stored in the database of the DCE;
- Ticker code of the assets involved in a transaction;
- Unique Identifier provided for each transaction;
- Deposits and withdrawals to always have – the transaction hash, blockchain address sent to, the blockchain that the asset was transferred on, withdrawal fees charged, and any description provided by the user in relation to the transfer;
- Disclosure of whether GST is applicable on a transaction and the amount;
- Legal entity or user identity of the accounts;
- Holding statement as of 30 June for self-managed superannuation funds.

Conclusion

We at Syla, strongly believe there should be a national shift towards a more practical solution such as using crypto tax software that is specifically designed for Australian taxpayers, by Australian tax professionals, to help achieve more accurate and reliable tax outcomes.

² Select Committee on Australia as a Technology and Financial Centre, (n5) 18.

We further propose implementing a national data standard for DCEs to enable accurate reporting of crypto transactions for Australian taxpayers. This in turn will breed more confidence in taxpayers and tax practitioners who are reliant on this data for tax compliance. A data standard for crypto will reduce many inefficiencies in tax administration, and therefore, restore time and focus on more useful activities.

Overall, we envisage and aim to achieve a better Australian tax system with greater taxpayer confidence, a more accurate revenue base for the Australian tax authorities and a simpler tomorrow for Australian crypto taxpayers.



Syla equips investors, traders and businesses with the certainty and accuracy needed to own and manage crypto investments in a smart and compliant way.

Whether you need to produce crypto tax reports or just have a desire to understand how your crypto investments are performing, Syla solves tax and portfolio management challenges and powers long-term financial success.

Syla looks forward to empowering the future of finance, where those with crypto can save on tax, grow their wealth, and succeed in the financial system of the future.