



DigitalCC Limited

Innovative Digital Currency Solutions

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ASX ANNOUNCEMENT

20 August 2014

ATO Provides First Guidance Note on Bitcoin

Digital CC Limited (trading as digitalBTC) (ASX: DCC) (the “Company” or “digitalBTC”) notes the draft ruling issued today by the Australian Tax Office (ATO) which states that Bitcoin (and other similar digital currencies) is an asset for capital gains tax (CGT) purposes.

- There will be no income tax or GST implications for individuals if they pay for goods or services in Bitcoin (provided they are not in business or carrying on an enterprise).
- The ATO has confirmed that where an individual uses bitcoins to purchase goods or services for personal use or consumption, there will be no capital gain or loss implications resulting from disposal of the bitcoins – provided the cost of the bitcoins is \$10,000 or less.

The Company welcomes this important first step in the recognition of Bitcoin in the Australian regulatory environment, and will continue to press for further improvements in the regulatory environment for both Bitcoin and the Bitcoin service companies in the burgeoning industry.

digitalBTC is a founding member of the Australian Digital Currency Commerce Association (ADCCA <http://adcca.org.au/>). Through the auspices of the ADCCA, numerous meetings have been held with the Australian regulatory community and political stakeholders, including the ATO. Through the ADCCA these stakeholder discussions will continue, to ensure the Australian regulatory regime for digital currencies fosters a world centre of innovation in this field.

The press release from the ADCCA is attached to this announcement, along with the ATO media release.

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PRESS RELEASE

ATO PAPER CONFIRMS BITCOIN AS AN ASSET FOR CGT PURPOSES – IMPORTANT FIRST STEP FOR BITCOIN AND TAX

The Australian Tax Office's (ATO) draft guidance is a needed first step on the potential tax treatment for digital currencies, but much more work needs to be done to get the settings right according to the Ronald Tucker, Chairman of the Australian Digital Currency Commerce Association (ADCCA).

“This is the beginning, rather than the end of discussions on this issue and the ADCCA looks forward to a continuing dialogue with the ATO on how to create a taxation regime that ensures the emerging digital currency industry can thrive and prosper in Australia,” Mr Tucker said.

“On the positive front the ATO has confirmed that Bitcoin is a legitimate asset for CGT purposes, and is not some digital fancy. This also means that consumers can confidently purchase goods or services with Bitcoins for personal consumption, with no adverse tax implications up to the value of \$10,000,” he said.

“Any goods or services sold in Australia would of course as expected still attract GST just like a transaction conducted in Australian dollars. The use of Bitcoin to pay for goods or services is no different than Australian dollars in this respect, other than of course the convenience provided by digital currency.

“The ATO's paper has unfortunately taken the position to treat the supply of Bitcoins the same way as an exchange of a commodity; something that would involve the costly and impractical imposition of GST on the supply of Bitcoins.

“Bitcoin by its very nature is used as a currency and a store of value and we believe it should be treated by the ATO in the same way as other financial inputs such as foreign exchange.

“It is notable that other jurisdictions with similar tax systems to Australia, such as the United Kingdom, have rejected the view taken by the ATO's guidance paper, with the purchase of bitcoins not attracting UK VAT.

“The digital currency industry in Australia is a hotbed of innovation and entrepreneurship and has the potential to make the country a regional, if not global leader in financial services.

“This potential however could easily be undermined by an uncompetitive and unworkable tax regime that sends the industry offshore to other countries such as Singapore and Hong Kong, where of course Australian GST does not apply.

“Australia already punches well above its weight in financial services and we are confident the ATO will work proactively to create a tax regime which creates jobs and revenue for the national economy,” Mr Tucker said.

The ATO's draft guidance – which is not yet legally binding – is expected to kick off an extensive round of consultation with the digital currency industry.

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◀ Media centre

ATO delivers guidance on Bitcoin

20 August 2014

The ATO today delivered guidance on the taxation treatment of Bitcoin and other crypto-currencies in time for people to complete their 2013-14 income tax returns.

“The guidance paper and draft tax rulings issued today provide certainty for the Australian community on the ATO’s treatment of crypto-currencies within the current legislative framework,” said Senior Assistant Commissioner Michael Hardy.

Under the guidance paper and rulings, bitcoin transactions are treated like barter transactions with similar taxation consequences.

Generally, there will be no income tax or GST implications for individuals if they are not in business or carrying on an enterprise and they pay for goods or services in bitcoin.

Where an individual uses bitcoin to purchase goods or services for personal use or consumption, any capital gain or loss from disposal of the bitcoin will be disregarded as a personal use asset – provided the cost of the bitcoin is \$10,000 or less.

Individuals who use bitcoin as an investment may be subject to capital gains tax rules when they dispose of it, as they would for shares of similar assets.

Businesses will need to record the value of bitcoin transactions as a part of their ordinary income. They must also charge GST when they supply bitcoin and may be subject to GST when receiving bitcoin in return for goods and services.

Record-keeping requirements are similar to other transactions. Where there may be a taxation consequence people should keep records of:

- the date of the transaction
- the amount in Australian dollars
- what the transaction was for; and
- who the other party was (even if it is just the bitcoin address).

There may be fringe benefit tax consequences for businesses using bitcoin to pay employee salaries.

“The ATO has consulted extensively with bitcoin experts, businesses, industry bodies and other external stakeholders to develop this guidance and explain the obligations of bitcoin users.

“People involved in buying or selling bitcoin or other crypto-currencies – whether individuals or businesses – are encouraged to read our guidance. If their circumstances are not covered by the guidance, they can seek a private ruling by contacting us,” said Mr Hardy.

The ATO’s guidance paper, rulings and details on the tax treatment of Bitcoin and other crypto-currencies are available online at ato.gov.au.

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