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Division Head
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The Treasury
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Dear Sir/ Madam

SUBJECT: GST treatment of digital currency discussion paper

CPA Australia represents the diverse interests of more than 155,000 members in 118 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.

While 'digital currencies' are currently only used in a comparatively small number of business transactions, we support reforming the current GST treatment of such transactions as it may assist in the greater usage of digital currencies and encourage further innovations in the 'fintech' space.

We are of the opinion that the current GST treatment of digital currencies by the ATO as outlined in GSTR 2014/3 is correct.

Given that, we encouraged the Government and the ATO (August 2014) to closely monitor developments in digital currencies, including how other governments are treating digital currencies for tax purposes and if Australia's tax treatment reduced our competitiveness, amend the law accordingly. The consultation paper reflects that suggestion.

Specific comments

Identifying digital currencies

- Given the significant pace of change in the sector, we suggest a definition of 'digital currencies' be included in the GST Act rather than requiring each digital currency to be specifically listed.
- We recommend that the definition be based on a number of broad principles. This approach would more likely capture future developments in digital currencies. The broad principles could include:
 - a digital or non-tangible unit of account
 - not being denominated in units of a recognised currency
 - two-way convertibility to goods or services, or to a fiat currency, but outside a centralised exchange
 - reliance on cryptographic techniques to validate a transaction
 - lack of centralised control (e.g. a 'distributed ledger')
- It would be prudent for the Commissioner to have the authority to be able to exclude a specific digital currency from the definition for whatever reason; such as where the digital currency is being used to facilitate illegal activity
- This would require the development of specialist expertise in digital currencies in the ATO and Treasury in order to be able to react quickly to changes. Such expertise could also inform future changes to the law in order for the law to remain relevant to new technologies.

Addressing double taxation

- We believe that treating digital currencies as 'money' is the better approach. However care should be taken in the definition to avoid non-GST fiat currency-related consequences.

Other comments:

Given the fact that the use of and the tax treatment of digital currencies is a global issue, we recommend that the matter should be raised for consideration as part of the work being undertaken by the OECD on base erosion and profit shifting.

Arguably the OECD would be best placed to research changes in digital currencies and possibly consider the development of model tax rules to assist countries handle the use of digital currency transactions.

If you have any queries, please do not hesitate to contact Gavan Ord, Manager – Business and Investment Policy of CPA Australia on gavan.ord@cpaaustralia.com.au or 03 9606 9695.

Yours faithfully



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