

In regards to the GST treatment of digital currency,

The GST Act definition of 'Money' under Section 195.1 should include these online currencies. The buying and selling of items with bitcoin should in all experiences be the same as using legal tender. As a country trying to encourage the growth of these innovative technologies we should not be enacting barriers to their use via complex taxation rules. Also due to the nature of these technologies the market will likely circumvent these barriers, making taxation harder and also making it more difficult to detect fraud and money laundering (As channels to hide the acquisition, transfer and disposal of digital currencies will grow in response).

In regards to a definition that includes bitcoin and significant alternatives to bitcoin but excludes items such as video game currencies, the differentiating factor should be the active market to freely exchange these currencies. As most virtual money systems do not allow their exchange for major currencies.

A definition that includes these forms of digital currencies would look as follows:  
"money " includes whatever is supplied as payment by way of crediting or debiting an account, where an active market exists for a balance in that account.

However the treasury should be aware of elements within blockchain technologies that would fall into a definition of a supply, and thus should be subject to GST. The most obvious of these is the process of verifying transactions (mining) which earns rewards for the processor.

Probably the most convincing argument for treating digital currencies in this way is that it will allow for taxation systems that work in conjunction with the goals of bitcoin technology. Bitcoin technology is redefining how people interact financially, building a system that does not align with its strengths will later act as a barrier when the technology matures.

If we are aiming for a sustainable, efficient and fair taxation system within the payment framework that bitcoin is establishing, we can't afford to build an obsolete system from the onset.

Kind Regards  
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