Recommendation: The government of Canada exempt charitable donations of cryptocurrency from Capital gains in the same fashion that it does for traditional securities, such as publicly traded stocks.
The rise in interest and value of digital currencies over the last year has led to a substantial increase in interest in their donations for charitable purposes, both by those giving and the organizations receiving. Dozens of Canadian charities are currently accepting or moving to accept cryptocurrency donations.

As a few examples, in late 2016, Covenant House in Toronto launched a successful campaign to raise $250,000 via donations of Ethereum during the December holiday season. Pathways to Education has been accepting donations via Bitcoin since 2013, and has recently seen increased volume in donations, including a large donation in December. The Sinai Health Foundation in Toronto recently began to accept Bitcoin, and a number of other major charities are currently in the process of doing so.

Many charities in Canada that accept donations of cryptocurrencies also provide tax receipts for charitable donations, meaning that you can claim the deduction on your income taxes. However, cryptocurrencies are still a relatively young technology, and investment vehicle and regulations surrounding their use and donation have not kept pace with changes in technology. This is particularly true with how CRA treats capital gains on charitable donations of cryptocurrency. Cryptogiving.ca was launched to help connect people willing to make such donations with charities willing to accept it.

However, charitable cryptocurrency donations do not receive any of the favourable capital gains treatment that other donations of assets, such as traditional securities like stocks receive. These securities are exempted from capital gains when given to charities. This incentivizes the direct donation of securities, which ultimately means larger donations.

Because cryptocurrency donations are not exempted, donors are responsible for paying any capital gains taxes associated with the donation. This can be substantial, with a marginal rate of more than 50% if investing is the donor’s fulltime job. Given the rapid increase in value of cryptocurrencies over the past year, this can be substantial.

Ultimately, not exempting such donations from capital gains taxes reduces the amount of money flowing to charities. It also discourages a younger demographic of technology-oriented individuals from being incentivized to donate to charities.

The government of Canada should have common treatment for similar donations. For purposes of capital gains, cryptocurrency is already treated in a fashion similar to traditional securities and is subject to capital gains taxes. Like stocks and bonds, it is very easy to verify a fair market price. Moreover, given that the industry is relatively new, it is wise for the government to take steps to normalize the tax implications of crypto currency transactions. Canada would also not be alone in this: the United States Internal Revenue Service has issued a ruling that cryptocurrency donations are exempt from capital gains taxes.

Given the interest in charitable giving of cryptocurrency, it is important that Canada update charitable giving rules to treat cryptocurrency donations equivalently to charitable gifts of other investments.

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