



SMSF CRYPTOCURRENCY INVESTMENT GUIDE

2025 Edition

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WHO WE ARE

WHO WE ARE

My SMSF is a specialist SMSF administration provider for niche assets. Crypto, Metals and Diamonds are areas of practice we have a passion for and specialise in.

- **Certified Bitcoin Professional**
 - **Experience** - 11+ years in cryptocurrency market investments and ecosystem
 - **SMSF Crypto Deed** with specific clauses for crypto investing
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CRYPTO MARKET STATS

Current SMSF Crypto Holdings (2025):

- Total crypto assets in SMSFs: **\$1.675 billion AUD**
- Represents less than 1% of all SMSF assets
- Down slightly from \$1.683 billion in previous quarter

Key Market Developments:

- Over \$1.6 billion in cryptocurrency added to SMSFs as of 2025
 - Increased ATO scrutiny and compliance requirements
 - Growing number of SMSF trustees investing in crypto assets
 - Enhanced platform offerings for SMSF crypto investing
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Introduction

As cryptocurrencies continue to gain traction, SMSF investors are discovering new opportunities for high returns and portfolio diversification.

The first stop for SMSF crypto investors is a check of your current SMSF Deed. Make sure there are no restrictions on derivatives and leverage assets and it's best that your deed includes a clause that lets you invest in cryptocurrency. If you are setting up a new fund, it would be ideal to get a deed that recognises crypto investments, however all hope is not lost for existing SMSFs that have crypto assets.

Trust Deed Setup SMSF Crypto Investments

Some key sections of the super laws (SIS Act 1993&1994) which all SMSF members should be aware of when investing or trading in cryptocurrency investments are:

SECTION 62

- Member responsibilities
- Selecting suitable investments

SECTION 4.09 / 4.09A

- Members must formulate, review and consider assets, risks and liquidity within the fund
- Separation of personal assets from super assets

SECTION 66 IN HOUSE ASSETS / 71 RELATED PARTIES

- In house assets consisting of loans to, investments in, a related trust, or party (member or members relation or a part 8 associate), lease of a fund asset of greater than 5% of the total funds value

WHAT ARE CRYPTOCURRENCIES? THE ATO VIEW

The Australian Taxation Office (ATO) views cryptocurrency assets as 'not money but as capital gains tax (CGT) assets. The tax consequences for SMSF members will depend on the nature of the SMSF's circumstances. So, a fair comparison would be with other CGT assets, such as commodities or property investments. Gold and diamonds are considered commodity assets, which are treated in the same way as crypto, where they are taxable when the asset is traded, exchanged or sold.

TAX TREATMENT FOR - INVESTORS

Cryptocurrencies are digital or virtual currencies that use cryptography for security. They are not issued by any central authority, rendering them theoretically immune to government interference or manipulation. The Australian Taxation Office (ATO) treats cryptocurrencies as capital gains tax (CGT) assets.

Table: Comparison of Cryptocurrencies vs. Traditional Assets

Feature	Cryptocurrencies	Traditional Assets
Issuance	Decentralized, via mining/minting	Centralized (e.g., companies, governments)
Security	Cryptography	Legal frameworks
Liquidity	High (varies by asset)	Variable
Regulatory Oversight	Emerging	Established
Accessibility	Global, 24/7	Market hours, regional restrictions

TAX TREATMENT FOR - INVESTORS

- If you purchase crypto assets as a buy and hold investor, it will be considered a capital cost by the ATO, which means you are not allowed deductions to your superfund
- The ATO considers the sale of a crypto asset a capital gains tax event, where complying SMSFs are entitled to a capital gains tax (CGT) discount of one-third if the relevant asset had been owned for at least 12 months
- For superfunds, the gain is assessed at the marginal tax rate of 15% on 2/3 of the gain for super accumulation members and 0% tax, for pension members
- Crypto asset losses may be offset against other asset gains or income in the superfund

- Crypto asset losses may be carried forward so that they may be offset against future crypto asset gains in the superfund
- Expenses for acquiring crypto assets may be used to offset capital gains tax calculations, such as: brokerage costs, setup costs, wallet costs or interest on borrowings, but these are not deductible costs each year for investors

Updated Tax Rates (2025):

- CGT discount for SMSF: 33.33% for assets held over 12 months, as per current ATO guidelines
- Tax rate on capital gains: 15% on 2/3 of the gain for accumulation phase, 0% for pension phase

Example Table: Tax Calculation for Investors

Asset	Purchase Price	Sale Price	Gain	CGT Discount	Taxable Gain	Tax Due
Bitcoin (BTC)	\$50,000	\$75,000	\$25,000	\$8,333	\$16,667	\$2,500

EXAMPLE: YOU PURCHASE 1 BITCOIN (BTC) IN AUD - UPDATED 2025

Historical Purchase:

- Purchase date: 29th August 2017
- Cost: \$4,700 USD / \$6,279.20 AUD
- Brokerage Cost: 1% = \$47 USD / \$62.79 AUD

Current Value (August 2025):

- Value of 1 Bitcoin on August 2025: Approximately A\$176,000-177,000
- **AUD Gain:** A\$177,000 (2025 value) - \$6,279.20 AUD (purchase price) = **A\$170,720.80**

You intend to hold this crypto asset without any intention of short-term profits, this asset will be treated as a CGT asset. If and when it is sold or exchanged for another coin at a future date, tax will apply at the prevailing rates.

Tax Calculation (if sold in 2025):

- Capital Gain: A\$170,720.80
- Less CGT Discount (1/3): A\$56,906.93
- Taxable Gain: A\$113,813.87
- Tax Payable (15%): A\$17,072.08
- **Net Gain After Tax: A\$153,648.72**

TAX TREATMENT FOR - TRADERS / MINERS

The tax treatment for those who are trading and mining cryptocurrencies is different to investors.

According to the ATO, the following activities constitute running a business:

- Trading in cryptocurrency
- Mining cryptocurrency
- Cryptocurrency business services, e.g: exchanges, apps, ATMs

The transfer or disposal (swapping - moving from one coin to another) is considered assessable income to your SMSF which notably is taxed at 15% compared to other structures and personal tax rates. Potentially, the expenses attributed to running a business would be tax deductible such as acquiring any mining equipment, brokerage costs, internet, subscription service fees and other costs within reason.

Table: Tax Rates Summary for Different Activities

Activity	Tax Rate (Accumulation Phase)	Tax Rate (Pension Phase)
Holding	15% on 2/3 of gain	0%
Trading	15% on income	0%
Mining	15% on income	0%

STAKING AND DEFI INCOME - 2025 UPDATE

The ATO is now actively reviewing DeFi activity and staking rewards as taxable income. Where token holders who participate in 'proxy staking' or who vote their tokens in delegated consensus mechanisms, and receive a reward by doing so, derive ordinary income equal to the money value of the tokens they receive which is taxable at 15% for SMSF accumulation members.

SMSF COMPLIANCE DOCUMENTS

Ensure you maintain records such as the buy/sell contract notes or receipts obtained from the exchange. Examples of these documents can improve understanding and compliance.

Essential Documentation:

- The buy/sell contract note or receipts, obtained from the exchange
- A report listing all transactions for the financial year, obtained from the exchange
- The value of the cryptocurrency at the 30th of June (purchase price, units, value)
- Proof of wallet ownership by the SMSF, proof of storage of assets in an independent location

2025 ATO Compliance Updates:

- **Name your wallet correctly:** Make sure your SMSF's crypto wallet is registered in the name of your SMSF
- **Separate investments:** Keep your personal crypto investments separate from your SMSF's assets. Failing to do this can be a breach of the Superannuation Industry (Supervision) Act 1993
- **Use legitimate platforms:** Always purchase and trade on reputable, well-established platforms

Important: The ATO uses sophisticated data-matching programs with both Australian and international crypto exchanges to track your activity. For the 2025 financial year, this scrutiny is increasing.

What is commonly referred to as 'shaping' or exchanging of one crypto coin asset for another, is a taxable event. The transfer of one coin (date, value, quantity) for a new coin (date, value, quantity) needs to be recorded and reported when completing an SMSF return in Australian dollars.

Further Reading: <https://www.ato.gov.au/Super/Self-managed-super-funds/In-detail/SMSF-investing/SMSF-investing-in-cryptocurrencies/>

CRYPTO FORKS, AIRDROPS AND LOSSES IN A SMSF

FORKS OR CHAIN SPLITS

When a blockchain splits into two separate chains, known as a 'fork,' it can result in a competing version of a coin. This has implications for SMSF tax treatments.

EXAMPLE 1 - Updated Values

Initial Investment: Alex held 10 Bitcoin on 1st August 2017 as an investment, when Bitcoin Cash split from Bitcoin. Immediately after the chain split, Alex held 10 Bitcoin and 10 Bitcoin Cash. Alex does not derive ordinary income or make a capital gain as a result of the receipt of Bitcoin Cash (BCH).

Sale of Bitcoin Cash: On 2nd August 2025, Alex sold the 10 Bitcoin Cash for approximately \$70,000 AUD (current market rates). Because the cost base of the Bitcoin Cash was zero, Alex makes a total capital gain of \$70,000 AUD in the 2025 income year from the sale of the Bitcoin Cash.

Staking, Lending and Airdrops

Loss or theft of cryptocurrency

Security Point: Note, there are many providers that require investors to give the platform access to their private keys. Given the importance of your private keys to demonstration ownership and control, it is ill advised that SMSF crypto investors part with their private keys.

"Some projects 'airdrop' new tokens to existing token or coin holders as a way of increasing the supply of tokens. The money value of an established token received through an airdrop is treated as ordinary income of the recipient at the time it is derived and received" by the SMSF, according to the ATO.

Loss or theft of cryptocurrency

According to the ATO, "You may be able to claim a capital loss if you lose your cryptocurrency private key or your cryptocurrency is stolen".

To claim a capital loss you must be able to provide evidence including:

- when you acquired and lost the private key
- the wallet address that the private key relates to
- the cost you incurred to acquire the lost or stolen cryptocurrency
- the amount of cryptocurrency in the wallet at the time of loss of private key
- that the wallet was controlled by you
- transactions to the wallet from a digital currency exchange for which you hold a verified account

SELECTING CRYPTO ASSETS FOR YOUR SMSF

The simplest and often lowest risk strategy is to look at the top three or top ten coins, simply due to the performance and liquidity characteristics of these coins and this is what most of our members tend to do.

2025 Considerations:

- **Leverage coins** - May create compliance issues
- **Crypto Funds** - Unless the fund recognises a SMSF as the owner of units and income, it won't comply with super laws
- **Airdrops and crypto coin distributions** - Must be properly documented for tax purposes

These variations on conventional or straight-out crypto coin investing are important considerations in an SMSF as they could create an unintended compliance breach for your fund, as the owner of the asset; in most cases; will not end up being the SMSF at the end of the transaction.

Compliance Breach Warning: Simply put, arrangements where your superfund is no longer the owner of the assets will breach the related party transaction super laws, in house assets test and segregation of assets tests.

EVALUATING A COIN - THINGS TO CONSIDER

Market capitalisation

- Market capitalization can be used as an indicator of public opinion of a coin's net worth and is a determining factor in some forms of stock and coin valuations on the secondary market

Supply and demand / transaction volumes

- Supply and demand are an economic model of price determination in a market
- This would give you an idea of how liquid the investment is along with trading volumes in a coin

Distribution and community support

- Users who are paying for services provides an indication of tangible revenue
- A large support community shows the company's adoption and interest levels

Team & Advisers

- Check the experience of the developers to see if its relevant to the coin project
 - If the organisation has advisers, check their track record at capital raising and advising successful companies
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RISKS OF INVESTING IN CRYPTOCURRENCY

Investing in cryptocurrencies comes with several risks, including high volatility, security concerns, and regulatory changes. A risk management strategy is essential.

Key Risk Areas:

1. **Volatility** - Cryptocurrencies are highly volatile, and movements may range from 10%-30% an hour to a day. They are not suitable for many investors who are risk averse. Advice should be sought to determine the benefits and risk of investing in cryptocurrency for SMSF members.

2. **Security** - The riskiest part of digital currency investing is the potential exposure to hacking, counter party risks and the general 24/7 connectivity to the internet, exposing exchange wallets and software wallets to hacking and loss of coin assets. Far more common is negligence in the management of private keys.

3. **Viability** - Are some coins or tokens a viable business idea or are they elaborate crowd funding schemes? These are questions SMSF investors and even traders need to be mindful of when investing in coins and tokens.

4. **Regulatory risk** - Government regulation and tax regulation may change in Australia, which may impact the tax effectiveness of investing in cryptocurrencies as these laws could change at any given time.

5. **Counterparty risk** - Fiat to crypto exchanges represent counter party risks or default risk to crypto investors and traders. This can result due to a change in policies by these providers or due to the exchange being hacked or control of private keys, and losses made by the exchange.

2025 ATO Warning: The ATO has cautioned SMSF trustees about purchasing and trading crypto on reputable, well-established platforms. They recommend checking that platforms are registered businesses or licensed by relevant authorities, looking for independent reviews and user feedback, ensuring sites use secure HTTPS connections, and understanding their policies.

SUMMARY

When you are considering investing in crypto assets within an SMSF, it is very important to consider risks, your investment experience with crypto assets and the suitability of these investments for all members of your SMSF.

Crypto assets can be a great portfolio diversifier and a risk mitigant in an SMSF portfolio, but it is not an investment that will suit all investors. We suggest you carefully consider these investments, in line with your time frame to retirement, risk appetite and contributions to the fund, in determining your level of investment.

2025 Key Takeaways:

- Over \$1.6 billion in cryptocurrency has been added to SMSFs as of 2025
 - The ATO is increasing scrutiny with sophisticated data-matching programs
 - Proper wallet naming, asset separation, and platform selection are crucial for compliance
 - Professional tax and legal advice is more important than ever before adding crypto activities into an SMSF
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FURTHER READING RESOURCES

ATO Cryptocurrency

<https://www.ato.gov.au/General/Gen/Tax-treatment-of-crypto-currencies-in-Australia---specifically-Bitcoin/>

Money Smart

<https://www.moneysmart.gov.au/investing/investment-warnings/virtual-currencies>

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