

How does Sars treat cryptocurrency in your estate?

Cryptocurrency is a hot topic at the moment and, as such, has arrested the attention of the South African Revenue Service (Sars). Many people are jumping on the bandwagon and becoming crypto traders overnight. For some, it's just for extra pocket money. For others, however, they are shifting real value to these platforms as part of their investment and retirement plans. For these people, it's prudent to keep abreast of how Sars views these investments and transactions.

By [Kenrick Newport](#), issued by [Capital Legacy](#) 17 May 2021



Although cryptocurrency is not considered as a currency for purposes of South African income tax, it is regarded as an asset and Sars applies the normal income tax rules to it. According to these rules, capital gains tax and estate duty are applicable.

Capital gains tax

The onus is on taxpayers to declare all cryptocurrency-related taxable income, including capital gains, in the tax year in which it is received or accrued. Gains may be regarded as capital in nature, as spelt out in the eighth schedule to the Income Tax Act for taxation under the capital gains tax paradigm. This would also be true on death as you are deemed to have disposed of all your assets at date of death, therefore, triggering a capital gains tax event.



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Estate duty

Since Sars does not view cryptocurrency as a currency, such as with the rand, but rather as property, it will be treated as an asset in your estate for estate duty purposes. This is only possible though if your executor is aware of the cryptocurrency, which you own, bearing in mind the anonymous nature of cryptocurrency and the manner in which you hold ownership of the cryptocurrency. It would be virtually impossible for your executor to trace your cryptocurrencies and properly account for them if they have not been brought to his

her attention.

Food for thought and hot topics that we will cover in our next article:

1. What is the safest way to store your cryptocurrency wallet 'key' to ensure safety but also that your intended heir has access to it, should anything happen to you?
2. Where is the future of 'digital legacy' headed and how can you get prepared?
3. How does your digital estate planning coincide with your physical assets listed in your will?

As one of the leading providers of wills and estates, we have our finger on the pulse and are working on a solution with regards to your cryptocurrency assets at the point of estate administration that will provide you and your heirs with peace of mind. Keep an eye on our social pages, [website](#) and the media for more updates coming soon.

About the author



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