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# Study on Taxpayer Feedback on Crypto-asset Tax Knowledge and Obligations

## *Executive Summary*

**Prepared for Canada Revenue Agency**

**Supplier: EKOS RESEARCH ASSOCIATES INC.**

**Contract Number: CW2281975**

**Contract Value: \$113,251.43 (including HST)**

**Award Date: February 21, 2023**

**Delivery Date: December 2023**

**Registration Number: POR 137-22**

For more information on this report, please contact the CRA at [cra-arc.media@cra-arc.gc.ca](mailto:cra-arc.media@cra-arc.gc.ca).

*Ce rapport est aussi disponible en français*

Canada 

# Study on Taxpayer Feedback on Crypto-asset Tax Knowledge and Obligations

## Executive Summary

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This public opinion research report presents the results of an online survey conducted by EKOS Research Associates Inc. on behalf of Canada Revenue Agency. The research study was conducted with 810 Canadians 18 or older who had acquired, received or sold crypto-assets, in a survey conducted between April 18 and May 3, 2023. A second survey was conducted with 565 Canadian tax intermediaries supporting businesses and individuals inquiring about or reporting crypto-activities between July 10 and 22, 2023.

Cette publication est aussi disponible en français sous le titre : Étude auprès des contribuables sur les connaissances et les obligations en matière de cryptoactifs.

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**Catalogue Number:** Rv4-199/2024E-PDF

**International Standard Book Number (ISBN):** 978-0-660-69434-4

**Related publications** (registration number: POR 137-22)

**Catalogue Number:** Rv4-199/2024F-PDF (French Summary)

**International Standard Book Number (ISBN):** 978-0-660-69435-1

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# EXECUTIVE SUMMARY

## A. BACKGROUND AND OBJECTIVES

Crypto-assets have become increasingly popular in the Canadian economy. As crypto-asset activities have tax implications for Canadian taxpayers and registrants, the CRA began to gain insights into the crypto-asset market by establishing a dedicated crypto-asset unit in 2018. The Agency continues to gather intelligence and perform compliance actions on crypto-related activities.

Based on the high level of ambiguity surrounding crypto-assets among the general public, the CRA decided to conduct public opinion research. Two separate surveys were designed, collected, and analyzed. The first, conducted between April 18 and May 3, 2023, was a national baseline survey comprised of the general population who have been involved in crypto-assets, sampling 810 Canadians aged 18 and over who have bought, owned, and/or invested in any type of crypto-asset, and/or those who intend to buy or invest in crypto-assets. The second survey, conducted between July 10 and 22, 2023, collected a sample of 565 tax intermediaries who work or have worked with individual and small business clients on tax-related or payroll matters and who have had experience with at least one client who has transacted with crypto-assets.

Specific objectives for the survey were to measure:

- How many Canadians have engaged in crypto-assets;
- How crypto-assets have changed how Canadians are investing or conducting their business;
- Levels of Canadians' understanding of tax requirements related to crypto-assets;
- General attitude toward crypto-assets in the advent of the negative events impacting the crypto-asset industry (such as the collapse of FTX, a popular trading platform)
- Levels of awareness about how the CRA can help Canadians and businesses who invest in crypto-assets, and;
- Canadians' evaluation of existing CRA guidance for those who transact in crypto-assets.

This research was designed to help the CRA better understand Canadians who have invested in crypto-assets and their level of knowledge on their tax obligations. It will assist in refining the

CRA's communication strategy regarding crypto-assets by re-evaluating its existing guidance and publications in an effort to provide better services for Canadians involved in this space.

## **B. KEY FINDINGS**

### *Use of Crypto-Assets*

Crypto-asset users in the general public encompass a diverse range of individuals (though they tend to be younger and male) and their motivations are multifaceted. Nearly half of the crypto-asset users surveyed cite the need for diversification as a driving factor in their initial decision to get into crypto-asset trading, while opportunities to learn about markets, personal enjoyment, and the decentralized nature of crypto-assets are also identified as key motivators. Nearly half of crypto-asset users have at least two years of experience trading in crypto-assets.

According to tax intermediaries, crypto-assets make up a notable volume of the business they receive, underscoring the growing prominence of crypto-related matters in the taxation landscape and the need for accurate and accessible information to navigate this complex terrain effectively. Indeed, 73% of professionals surveyed indicated that at least some of their clients have transacted in crypto-assets in the past 12 months, with an average of 32% of their clients reporting crypto-asset income. Clients come with a diverse range of knowledge and experience in matters related to crypto-assets, with larger-scale clients (i.e., large corporations and small to medium-sized businesses) typically boasting a broader understanding of their tax obligations. Results from both surveys suggest clients tend to be male and under 40.

Crypto-asset exchanges are, by a wide margin, the dominant avenue for selling crypto-assets; half of crypto-asset users in the general public (50%) have made an acquisition through a custodial crypto-asset exchange in the past 12 months, while 21% have used a non-custodial crypto-asset exchange. The bulk of these users exchanged their assets for fiat and other coins. Nearly half of crypto-asset users have used a crypto-asset exchange platform, with Coinbase, Binance, and Wealthsimple ranking as the most popular options.

Results, however, suggest growing skepticism among crypto-asset users regarding the value of crypto-assets as viable investment tools, particularly following the crypto-asset downturn in late 2022. Negative media coverage has significantly influenced public perception, with half of those who recall hearing or seeing news on crypto-assets reporting a decline in their confidence of transacting in crypto-assets. Indeed, when asked to identify the single greatest appeal of crypto-assets, nearly one-third of respondents declined to provide an answer. Perhaps consequently, more than half of respondents reported a decrease in their crypto-asset activities in the past year.

### ***Understanding of Tax Obligations***

Results from the survey of crypto-asset users in the general public highlight varying levels of comprehension when it comes to tax obligations with respect to crypto-assets; indeed, with one-third of respondents admitting they do not have a firm grasp of their responsibilities. When tested on their knowledge of tax regulations, crypto-asset users responding to the survey achieved an average score of 2.7 out of 5, with a majority of respondents incorrectly believing that the CRA universally categorizes cryptocurrency mining as a business activity.

Most tax intermediaries who participated in the survey appear confident in their understanding of tax obligations when it comes to crypto-assets and the vast majority are confident they can locate the taxation information they need. However, results vary by type of clientele. Those who service large corporations and small to medium-sized businesses are highly confident in their knowledge, while those who cater to smaller-scale clients are more apt to report gaps in their knowledge. Curiously, those with at least 10 years' experience in the industry are *less* secure in their knowledge, highlighting the rapidly evolving nature of crypto-assets.

### ***CRA as a Source for Information About Tax Obligations***

Results of the survey of crypto-asset users suggest broad public trust in the CRA. The CRA consistently emerges as the most trusted and preferred source of information on tax obligations and, among those who have sought tax information with respect to crypto-assets, the vast majority relied on the CRA website. The website, however, received mixed reviews in terms of accessibility, ease of understanding, comprehensiveness, and organization.

Among tax intermediaries, the CRA is a critical source for information and assistance. Tax professionals are heavily reliant on the CRA for accurate and comprehensive information, and this reliance is particularly pronounced among those with clients actively involved in crypto-asset trading. Likewise, the CRA website is generally rated well across all of the tested criteria – accessibility, usefulness, comprehensiveness, and navigability.

Survey findings also illustrate the need for tailored resources for tax intermediaries. Respondents dealing with different types of clientele reported varying levels of satisfaction. Those who cater primarily to members of the general public consistently provide lower ratings and are less likely to indicate they trust and rely on the CRA. In particular, just half of these respondents feel the CRA is accessible.

Among those tax intermediaries who deal with smaller-scale clients, information on how to determine the dollar value of crypto-assets, the types of records to keep for tax purposes, and how to declare gains or losses in crypto-assets on tax returns ranked as the most valuable types of information. Step-by-step guides emerged as the single most helpful tool for understanding clients' crypto-asset taxation needs, underlining the importance of user-friendly resources.

## C. NOTE TO READERS

Detailed findings are presented in the sections that follow. Overall results are presented in the main portion of the narrative and are typically supported by graphics or tables. Bulleted text is also used to point out any statistically and substantively significant differences between sub-groups of respondents. If differences are not noted in the report, it can be assumed that they are either not statistically significant<sup>1</sup> in their variation from the overall result or that the difference was deemed to be substantively too small to be noteworthy. The programmed survey instrument can be found in Appendix A.

It should be noted that the survey asks a number of questions about behaviours that may have a tendency to exert pressure to respond in a socially desirable way for respondents to under-report some attitudes or behaviours related to crypto-assets<sup>2</sup>. Results for the proportion of respondents in the sample who either said “don’t know” or did not provide a response are not indicated in the graphic representation of the results in all cases, particularly where they are not sizable (e.g., 10% or less). Results may also not total 100% due to rounding, and totals of two added response categories may appear off by 1% for the same reason.

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<sup>1</sup> Chi-square and standard t-tests were applied as applicable. Differences noted were significant at the 95% level.

<sup>2</sup> Ivar Krumpal, “Determinants of Social Desirability Bias in Sensitive Surveys: A Literature Review”, *Quality and Quantity*, June 2013, Volume 47, Issue 4, pp. 2025-2047.

## **D. CONTRACT VALUE**

The contract value for the POR project is \$113,251.43 (including HST).

## **E. POLITICAL NEUTRALITY CERTIFICATION**

I hereby certify as Senior Officer of EKOS Research Associates Inc. that the deliverables fully comply with the Government of Canada political neutrality requirements outlined in the Communications Policy of the Government of Canada and Procedures for Planning and Contracting Public Opinion Research. Specifically, the deliverables do not include information on electoral voting intentions, political party preferences, standings with the electorate, or ratings of the performance of a political party or its leaders.

Signed by:



Susan Galley (Vice President)