TAXPATRIA compliance guideline

Can I invest in cryptocurrency as a company ?

If you are the **owner of a business** that provides services or sells products, you have probably wondered whether it is possible to **invest in cryptocurrency with your company**. An increasing number of companies worldwide are using bitcoin and other crypto assets for **operational and transactional purposes**, so why not use it for **investment purposes** as well? From a tax perspective, it is preferable to **invest your cash surplus**, rather than paying it out as salary or keeping it in the company's bank account.

Corporate investing in crypto will bring certain **tax and accounting challenges**. Due to the lack of **specific tax or accounting regulations**, we need to completely rely on the **existing general principles**. Regulation is in the making, but we are not quite there yet.

The **high volatility of crypto** plays a significant role in **determining its value** as a digital asset, which creates an additional difficulty compared to regular business assets.

In 2019, the *Belgian Accounting Standards Commission* (CBN/CNC) already published a **draft guideline** awaiting new legislation. This provides **some guidance** on how crypto assets should be processed in the **company's accounting records**. The Commission states that they should **not** be qualified as a **cash asset or cash equivalent**, because they are not kept on a traditional bank account and cannot be used to repay just any creditor. Crypto assets **cannot** be considered **monetary assets** either. They do not qualify as claims on credit institutions from long-term deposits, securities, or precious metals. Instead, the Commission recommends to book cryptocurrency as '**other receivables**'. This indicates that they do not concern a claim on, for example, a bank, but on a **limited number of parties**.

If on the balance date, the crypto price is **lower** than their book value, a **book depreciation** must be recorded in the accounts. In the **opposite case**, no further action is required, because from an accounting perspective, **unrealized gains on claims** should not be recorded. From a tax point of view, **depreciations** are always fully tax-deductible.

When a company invests in crypto, the goal is obviously to **make a profit**. While individuals can still **avoid income taxation** if they can demonstrate the gain was realized as a result of a *normal management of their privately held assets*, a company does not have this possibility. For a company, any gain will automatically be considered taxable income. For Belgian companies, a **taxable event** will occur when crypto is **sold against fiat currency** at the standard tax rate of 25% (lowered to 20% under certain conditions). **Losses** can be fully offset against other income and may also be **carried forward**.

TAXPATRIA® can help you to assess the **tax and accounting consequences** of **corporate investing in crypto** and in other digital assets.