

Top 5 Global Havens to Avoid Taxes on Bitcoin

Bitcoin has been around since 2008 and has been gaining popularity ever since. Back in 2008, only a few people believed in Bitcoin supremacy. The believers were mocked by the rest of the crowd.

Well, how the tables have turned! There is no doubt that Bitcoin is bigger than ever and will continue to grow. You can use Bitcoin to invest, purchase goods or services, or even gift it to others.

However, making money brings with it the issue of taxes, and it's no secret that we are all apprehensive about them.

Some so desperately look for [ways to avoid paying taxes on Bitcoin](#) and find absolutely no way of doing so. But don't sweat it because later in our article, we will focus on ways to avoid taxes on Bitcoin by choosing a tax haven. So keep reading!



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Don't Be Fooled; Bitcoin Is Property, Not Currency!

Contrary to popular belief, Bitcoin is considered property and not a currency in the eyes of the IRS (Internal Revenue System). This is true about all the cryptocurrencies you may find in the market.

The IRS strictly insists on classifying it as property despite how you might use or hold it. This means that any change between the Bitcoin's cost basis and the value at the time of sale is considered and treated as a capital gain or loss and therefore is taxed accordingly.

So, there's no easy way around taxes on Bitcoin except what we will mention later in the article!

The First Time You Purchase CryptoCurrency - Time & Cost

Before getting to the point where we talk about ways to avoid taxes on Bitcoin, we need to know what the cost basis is.

The cost basis is the amount of money you spend on buying an asset like Bitcoin. Cost basis is one of the most important elements when doing your taxes. Knowing the cost basis, you can calculate the amount of taxes you are due to pay.

But Do I Owe Taxes?

Whenever you might want to sell your asset and notice it has increased in value since when you first purchased it, taxes will apply. This is exactly where the "cost basis" comes in handy since you can easily subtract the new price from the cost basis and get your answer.

Let's suppose you have bought one Bitcoin for \$15,000. Now, what circumstances require you to pay taxes? Here's an overview.

- If you use Bitcoin to purchase a \$30,000 car, you'd have to report \$15,000 in gains.
- If you sell your Bitcoin at the time the Bitcoin price has gone up to \$20,000, you are expected to report \$5,000 in gains.
- If you trade your one Bitcoin for \$40,000 worth of another cryptocurrency, you'd have to report \$25,000 in gains.

Also Read: [Reporting Taxes On Cryptocurrency](#).

Bear in mind every time you decide to trade one crypto for the other, you need to keep precise track of how much you gained or lost in Bitcoin.

Keep reading to discover how you can save money on Bitcoin taxes.

How Do I Report Bitcoin Taxes?

The one very important thing while doing your Bitcoin Taxes is keeping track of cost basis, gains, and losses.

The IRS has put a question in their form asking if you have received, sold, exchanged, or otherwise disposed of any financial gains in any virtual currency as a reminder.

The information you will need to calculate your Bitcoin taxes consists of the following.

- The records of the fair market value of when you first purchased or mined your Bitcoin
- The fair market value of when you used to purchase/sell something

You would receive a Form 1099-B if you bought or sold stocks through your broker. In that form, you can find the cost basis of your stocks, whereas the information you might be seeking may not be easily accessible.

It can be hard to find information on crypto taxation, which is why so many people are unsure whether they are liable or not. But, as with every other modern problem, a modern solution has taken the guesswork out of the process.

Yes, [hiring a certified crypto public accountant](#) can make paying taxes on Bitcoin much easier. Once you have a crypto-professional accountant by your side, most challenges will pass without you even lifting a finger.

What Happens If I Don't Report My Taxes?

You're asking whether you can remain hidden from the watchful eyes of the IRS or not. Well, you can't.

Even if you don't report your taxes, the IRS has its own ways of keeping tabs on your Bitcoin investment. Not reporting your taxes has its own consequences. Fees, penalties, and jail time are some of those consequences you need to look out for.

Although the IRS cannot keep track of everyone, you are asked to fill out forms carefully and with honesty. There is also a possibility that interest will be charged if you ignore your penalty and don't comply on time.

However, if you think you don't have enough to pay your dues and want to avoid taxes on Bitcoin, you can always apply for a repayment plan with the IRS. The downside to the repayment plan is that you'll have to pay the interest too.

This is at least better than facing penalties.

5 Top Crypto Tax-Free Countries

Taxation is considered to be the dark side of the moon by everyone. Doing crypto taxes, in general, is a painful experience. However, there are ways to turn the moon's dark side brighter.

People often look for ways to reduce their Bitcoin taxes, like taking advantage of [Bitcoin Losses Taxes](#). If you have suffered capital losses, those losses can offset your capital gains. You can claim up to \$3,000 per year in capital losses.

Another effective way to avoid paying taxes on bitcoin is moving to a tax haven with zero or minimum crypto taxes. Below is a list of the most popular crypto tax-free countries you should consider.

1. Germany

It should be noted that crypto isn't completely tax-free in Germany. However, there are some peculiar crypto tax rules in Germany that mean investors and traders can easily wave crypto taxes goodbye!

To Germany's eyes, Bitcoin and other cryptocurrencies are considered private money and not capital assets. This is very important, as if you hold onto your crypto for more than 12 months, when you later decide to sell, swap or spend your crypto, you'll pay no tax on it.

2. Belarus

Belarus did something very strange back in 2018. All the other countries were setting rules and regulations when suddenly Belarus decided to legalize all crypto activities and banned everyone from paying taxes on Bitcoin until 2023.

All the activities in the area of crypto are considered to be personal investments which makes it pretty easy for everyone to be exempted from paying Income Tax and Capital Gains Tax.



Photo by [Nick Karvounis](#) on [Unsplash](#)

3. Portugal

Now it is time we talk about Portugal, the land of sunny beaches and no crypto taxes.

In Portugal, since 2018, every transaction related to cryptocurrency has been completely tax-free. If you are a business, crypto is exempt from Income Tax. So, for most investors, Portugal is a safe haven to invest in or trade cryptocurrency.

4. Switzerland

When it comes to taxation, is there a better choice than Switzerland to think of?

In Switzerland, what you pay as taxes and how you pay them are completely different from other countries.

The bad news is that if you are a crypto miner, you will be asked to pay Income Tax. And if you are a qualified day trader, you'll also be subject to the Wealth Tax Rate.

On the other hand, the good news is that the profits of individuals who are not on the professional level of trading are exempt from capital gains tax.

5. Singapore

KuCoin and Phemex are based in Singapore, and surely there is a reason behind that!

Singapore is a haven for both individuals and businesses. In Singapore, you won't be liable for capital gains tax.

Furthermore, because cryptocurrencies are considered to be intangible property, when you purchase something with crypto, it's viewed as a barter trade and not a payment. Therefore, the payment coin or token will not have any taxes applied to it.

Of course, you can't run away from all kinds of taxes! For example, if you are a business and accept crypto as one of the ways of payment, you will have to pay Income Tax on it.

Other Methods to Avoid Paying Bitcoin Taxes

1. Purchase Bitcoin & Don't Sell

You don't owe taxes when you buy any kind of digital asset. Some people would rather buy and hold their Bitcoin for a long time to dodge their taxation.

If you give your Bitcoin savings to an heir, they get the stepped-up cost basis. This procedure decreases the capital gains on your investments.

For example, if your Bitcoin rises by \$100,000 and you transfer it to one of your heirs, they won't owe taxes on that \$100,000 capital gain if they ever try to sell.

2. Declare Your Crypto as Income

To avoid taxes on Bitcoin, you need to declare your crypto (Bitcoin investment) as income. The taxation process is different if you use a crypto wallet and receive assets in exchange for goods and services or you mine cryptocurrency.

In these cases, your crypto investment is counted as income when you get it. Recording and reporting the fair market value of the crypto you received should be a priority so then you can properly calculate the taxes you're due.

3. Gift the Assets to a Family Member

The IRS allows you to give away up to \$16,000 of your Bitcoin asset per year per person without considering tax for it.

While the asset is now in the new owner's name, they might earn a low enough income and avoid taxes on Bitcoin, where they don't have to pay taxes on the given asset when sold. Or, at the very least, they'll be charged much less tax than if they bought it themselves.

However, it's still essential for the new owner of the asset to keep track of the price of the cryptocurrency at the time they got it in their account (AKA the cost basis). These amounts are used to calculate any gain or loss for the new owner to report when Bitcoin is sold.

4. Hold onto Your Bitcoin for the Long Term

The easiest way to avoid taxes on Bitcoin is to wait to sell your assets until they are considered long-term property. You should keep in mind that you'll have to pay less in capital gains tax if you've held onto your Bitcoin for more than a year.

Of course, the cryptocurrency market always fluctuates, so if you can't handle a price drop, you should get rid of it.

5. Donate Your Cryptocurrency to Charity

Just like gifting crypto assets to a family member, donating your cryptocurrency to charity can result in no capital gains tax, and you can also claim a significant tax deduction on your tax return.

Suppose you have \$25,000 worth of Bitcoin and want to avoid taxes on Bitcoin. You can decide to donate your Bitcoin to the charity of your liking, and then you can write it off as a charitable deduction on your return.

6. Use Crypto Tax Software

Doing taxes manually seems like a job you have to be focused on. Therefore, using crypto tax software can be a big help in spotting missing and unrealized losses.

However, you need to learn [how to choose top crypto tax software](#).

For example, use one to see if you've got underperforming assets and that you should sell at a loss using the tax-loss harvesting method.

Final Word

Investing in Cryptocurrency might seem like an offer you can never refuse; especially if you have purchased the assets long before they drastically increased in value. However, after having tasted the sweetness of making money, there are taxes to take care of too.

Paying taxes on cryptocurrency seems like a not-so-favorable thing. Most people look for ways to avoid taxes on Bitcoin, and as [certified public accountants](#), we understand.

Fortunately, a few tax-friendly countries offer low or no income taxes. If you can, consider moving to a low- or no-income tax country to reduce or even get rid of taxes on all types of income.

We mentioned 5 countries in which you can ditch those taxes in this article. We hope you have found your answer to the important question, "where are the best global tax havens?"

Newsletter

Dear readers of the Lorenzo Tax newsletter,

Ever wondered about how big Bitcoin is growing to be?

People nowadays talk a lot about Bitcoin and give tips on how to be rich in the shortest time. But nobody talks about the crypto tax process and how frustrating and complicated it is.

Surely there are accountants and also crypto tax software you can use to calculate the amount you have to pay as tax.

But some desperately look for ways to ditch those taxes and wave them goodbye.

In our latest article, we have mentioned some countries where you are safe from the taxes following you around!

Better than all the good ways we have mentioned before to ditch your taxes, you can always move to other countries where taxes won't apply to crypto investments or payments. Some of them are Singapore, Germany, Belarus, etc.

Be sure to check the whole article out if you also want to save money on paying taxes!

(Lorenzo Abbatiello, Founder and Principal of Lorenzo Tax)

#1 Twitter Thread

Bitcoin has been around since 2008 and has been growing ever since!

From what we see, Bitcoin has no plan to stop and keeps growing bigger and bigger.

The sweetness of making money will make you forget about so many things. But there are a few things to take care of ... like Ummm ... taxes!

Taxes can be such a bummer when the time comes to pay them up finally.

Many people look for ways to dodge them but don't seem successful in finding a way.

However, there are some ways and tricks you can use to legally minimize the amount of taxes you pay on Bitcoin.

You can gift your crypto asset to an heir; if they have a low enough income, taxes won't apply to their Bitcoin savings. Or you can use crypto tax software to see if you have underperforming assets. Knowing that information enables you to decide to sell at a loss and use the tax-loss harvesting method.

Better, you can choose other countries to invest in or trade crypto in.

Some of them are Belarus, Germany, Switzerland, etc. These countries and many others are havens for those who look for ways to ditch the taxes and ignore them!

Of course, there are some cases where you still have to pay taxes in these countries, but overall, these countries have the least strictness on taxes.

#2 Twitter Thread

Traders and people who own crypto often wonder if they should pay taxes or not.

There are some cases in which taxes apply, and some don't.

For example, holding Bitcoin alone won't trigger any tax, whereas if you were to purchase goods or services with your Bitcoin, you'd have to pay taxes.

Basically, if there is a difference between your cost basis and the value of your asset at the time of sale, taxes will apply, and you will have to pay it up.

Now, there are ways to minimize the amount you have to pay, like using the tax-loss harvesting method or holding onto your Bitcoin for the long term (more than one year) so the tax will be less.

Of course, another way is to consider moving to countries where the tax is so low or countries where weird tax rules allow you to hold more of your assets.

We have covered many countries in which you are not obligated to pay taxes. Make sure to check out our latest article!