

Policy Paper

Bitcoin as Money: De minimis tax exemption for Bitcoin payments under NZD \$1000

Daniel Reid, Kevin Whitmore, Cody Ellingham, Jason Crowe, Brandon Bucher, Derek Roth-Biester, Michael Smith

Executive Summary

Bitcoin is money. New Zealand's current tax rules make every Bitcoin transaction taxable, creating compliance burdens and discouraging everyday use.

A de minimis exemption for payments under NZD \$1000 would simplify reporting, encourage adoption, and reduce administrative costs. International examples, including the U.S., Germany, and Portugal, show that small-transaction exemptions boost compliance and innovation.

This policy would lower payment transaction fees, support fintech growth, expand consumer choice, and position New Zealand as a forward-thinking hub for digital finance.

Introduction

Under New Zealand's current tax treatment of Bitcoin, it is onerous to remain tax compliant while using Bitcoin as money. It is particularly painful for small transactions. At least 80 retail merchants already accept Bitcoin nationwide, including more than 30 in Queenstown as part of the Bitcoin Basin circular economy project (<https://bitcoinbasin.nz/>).

Under existing rules, even small retail purchases with Bitcoin are treated as *taxable events*. Each transaction is considered a disposal of an asset, requiring the purchaser to calculate gains or losses against their original cost basis. This creates unnecessary friction, turning even a coffee purchase with Bitcoin into a compliance exercise.

The burden of this framework is reflected in a survey done by a New Zealand accountancy firm, which found that almost 70% of respondents believed they were non-compliant due to the burden of tracking gains and losses on everyday transactions.

Other jurisdictions are moving to resolve this. In the United States, bipartisan bills have proposed a de minimis exemption of up to USD \$600, with backing from advocacy groups, policy experts, and the White House.

New Zealand can take a pragmatic step by introducing a de minimis tax exemption for Bitcoin payments under NZD \$1000. This reform would simplify compliance, reduce friction for individuals and businesses, and position New Zealand as a forward-thinking environment

for digital money. It would also support innovation, encourage tourism and make it easier for international visitors to spend Bitcoin with New Zealand merchants.

Outcomes

Implementing a tax exemption for Bitcoin payments under \$1000 would have several benefits for New Zealand's economy and society:

- **Simpler tax compliance and time savings**
All Bitcoin transactions currently trigger income calculation and reporting, even for minor purchases like coffee. A de minimis exemption removes this burden, making everyday use practical and freeing up time for taxpayers, accountants, and the IRD. Simplifying small transactions also encourages compliance on larger transactions.
- **Lower costs and competition**
Bitcoin payments, especially via the Bitcoin Lightning Network, cost far less than traditional card payments, which cost NZ businesses about \$1 billion annually, with fees often passed straight on to consumers. Making Bitcoin adoption easier increases competition with traditional payment networks, saving money for both consumers and businesses.
- **Boosting innovation and aligning with global practice**
Removing tax friction encourages fintech experimentation and new services, positioning New Zealand as a future-ready, innovation-friendly hub. International examples and recommendations from groups like Coin Center show this approach is aligned with global best practice.
- **Encouraging Tourism and Attracting Capital**
New Zealand and its tourist destinations can benefit significantly by positioning the country as friendly to bitcoin tourism. Similar examples of burgeoning bitcoin circular economies, throughout the world, have attracted a new wave of high-value visitors and business investment where bitcoin is accepted as a medium of exchange.

Evidence from Overseas & Similar Cases

Globally, policymakers and think tanks recognise that requiring taxing reporting for every small Bitcoin transaction creates friction and discourages adoption and lowers overall compliance.

United States

Bills such as the Virtual Currency Tax Fairness Act, reintroduced in 2024, propose exempting low-value Bitcoin payments from federal taxation, with suggested thresholds between USD \$200 and \$600 ([coincenter.org](https://www.coincenter.org)).

Advocacy groups like Coin Center and researchers at the Cato Institute have long supported these measures, noting that U.S. tax law already provides a similar exemption for small foreign currency gains ([cato.org](https://www.cato.org)). In 2025, the White House voiced support for a USD \$600

exemption, framing the reform as a way to allow digital money to function “as simply as buying a cup of coffee.” This demonstrates broad recognition of the need for practical tax treatment across the political spectrum.

Germany

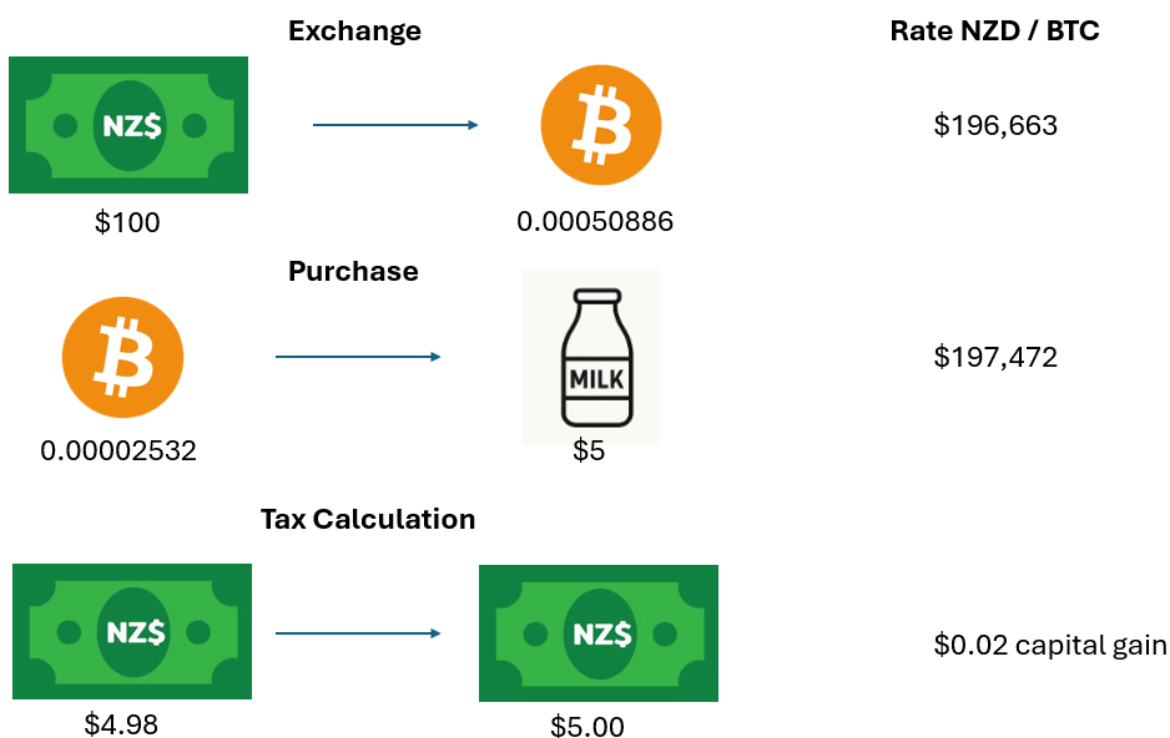
Germany exempts capital gains from Bitcoin transactions if the total profit from such transactions is below €600 per year. This de minimis exemption simplifies tax reporting for individuals engaging in occasional Bitcoin transactions. Additionally, if Bitcoin is held for over a year, any gains from their sale are tax-free.

Portugal

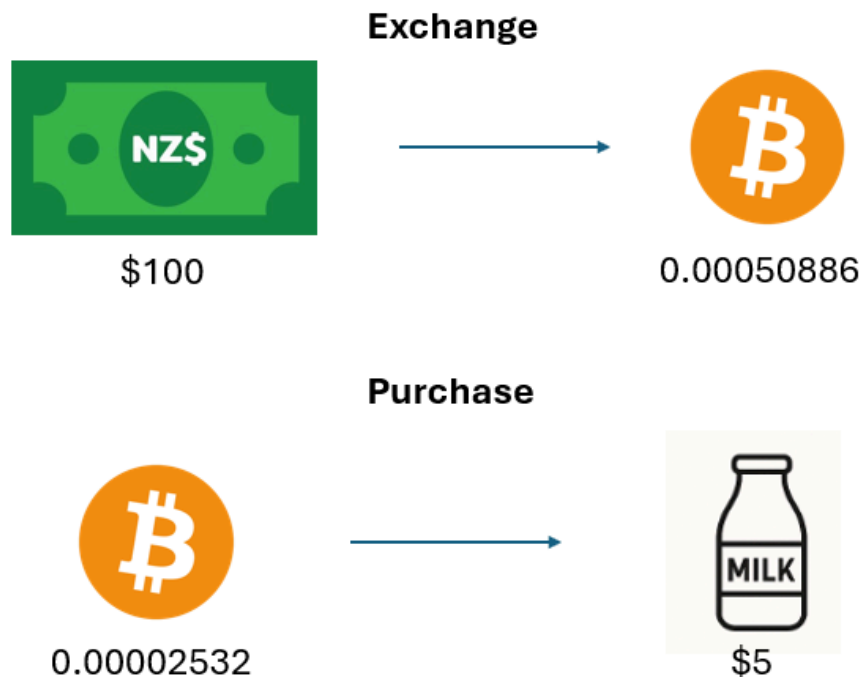
Portugal does not tax capital gains from Bitcoin transactions for individuals, provided the activity is not deemed professional or business-related. This approach effectively allows for tax-free Bitcoin transactions, though it is not a formal de minimis exemption.

Compliance Burden

Current Tax Calculation Process



Proposed Exempt Transactions Under \$1000



Tax Calculation

No income tax

Policy Design Considerations

In crafting this de minimis exemption, several points should be addressed to ensure its effectiveness and fairness:

1. **Threshold Definition:** Set the exemption threshold at NZD \$1000 per transaction using bitcoin where the primary purpose is consumption, payment, or practical use, rather than speculation or financial gain. Only transactions below this value would be free from income tax reporting. The \$1000 limit should cover most everyday payments in New Zealand.
2. **Scope of Transactions:** The exemption should apply to all taxpayers (individuals and businesses) with the exception of businesses or persons dealing in the exchange or trading of bitcoin, and to all types of everyday transactions paid in Bitcoin, as long as the payment is under the threshold. This universality ensures the policy is simple and inclusive. Everyone can benefit, and merchants can confidently accept small bitcoin payments from any customer.

3. **Preventing Abuse:** Anti-fraud rules can be included so that large transactions are not split into many smaller ones solely to circumvent taxes. For example, if a series of related payments exceed \$1000 in aggregate (say, multiple \$500 transactions intentionally split), they could be treated as one transaction for tax purposes (similar to how some U.S. proposals consider aggregated transactions). However, genuine separate small purchases on different occasions would remain exempt.
4. **Review and Adjustment:** The \$1000 threshold should be adjusted annually based on the official CPI number.
5. **Clarity on Reporting:** Provide clear guidance that when an eligible bitcoin payment is made that is under \$1000 NZD, any gain or loss on that transaction is non-taxable and need not be reported. This clarity will maximise the policy's impact by removing ambiguity. At the same time, larger bitcoin disposals (or bitcoin sold for financial gain) would continue to be taxed per normal rules, preserving tax compliance for significant investments or trading activity.
6. **GST processing:** The de minimis exemption does not exempt transactions from GST. All businesses would be expected to continue collecting and paying GST.

Conclusion

A de minimis tax exemption for Bitcoin payments under NZD \$1000 would remove the compliance burden associated with small transactions, making everyday Bitcoin use practical and straightforward.

This measure would help New Zealanders save on payment costs, promote competition with traditional banking fees and support innovation in the digital economy. By simplifying small-scale Bitcoin transactions, the exemption encourages experimentation, expands consumer choice, and positions New Zealand as a forward-thinking, competitive, and inclusive hub for financial technology.

References

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- [Senate Proposal for Crypto Tax Exemption Is Long Overdue | Cato Institute](#)
- [Bitcoin And Crypto De Minimis Tax Exemption Backed By Trump, Says White House](#)
- [El Salvador embraces Bitcoin](#)
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- [Crypto Tax Free Countries 2025](#)