Professional Certificate in Blockchain and Cryptocurrency Accounting

Cryptocurrency Taxation

Airdrop: An airdrop is the distribution of free cryptocurrency tokens or coins to a large number of wallet addresses. It is often used as a marketing strategy by new cryptocurrency projects to gain visibility and adoption. Airdrops can also be used as a reward for community engagement or participation in a project's ecosystem.

Capital Gains Tax: Capital gains tax is a tax on the profit made from selling a capital asset, such as cryptocurrency. The tax rate varies depending on the jurisdiction and the length of time the asset was held. In the United States, for example, long-term capital gains (held for over a year) are taxed at a lower rate than short-term capital gains (held for a year or less).

Cryptocurrency: Cryptocurrency is a digital or virtual currency that uses cryptography for security. Cryptocurrencies operate on blockchain technology, a decentralized and distributed ledger that records all transactions. Bitcoin, the first and most well-known cryptocurrency, was launched in 2009.

Cryptocurrency Exchange: A cryptocurrency exchange is a platform where users can buy, sell, and trade cryptocurrencies. Exchanges can be centralized, where a third party facilitates the transactions, or decentralized, where users trade directly with each other. Examples of centralized exchanges include Coinbase and Binance, while decentralized exchanges include Uniswap and Sushiswap.

Fiat Currency: Fiat currency is government-issued currency that is not backed by a physical commodity, such as gold or silver. Fiat currency is legal tender and accepted as payment for goods and services. Examples of fiat currency include the US dollar, the Euro, and the Japanese Yen.

Fork: A fork is a change to the software protocol of a cryptocurrency network. A fork can be either soft or hard. A soft fork is a backward-compatible change that does not result in the creation of a new cryptocurrency. A hard fork, on the other hand, is a fundamental change to the protocol that results in a permanent split of the network and the creation of a new cryptocurrency.

Fungible: Fungibility is the ability of a unit of a commodity or a financial instrument to be interchanged with another unit of the same commodity or financial instrument. Cryptocurrencies are fungible because each unit is identical to every other unit. For example, one Bitcoin is interchangeable with any other Bitcoin.

HODL: HODL is a term used in the cryptocurrency community to describe a long-term investment strategy of buying and holding cryptocurrencies, regardless of market volatility. The term originated from a misspelling of the word "hold" in a 2013 post on the Bitcoin Talk forum.

Initial Coin Offering (ICO): An initial coin offering (ICO) is a fundraising event in which a company or organization sells its own cryptocurrency tokens to investors, usually in exchange for other cryptocurrencies, such as Bitcoin or Ethereum. ICOs are a form of crowdfunding and have been used to raise funds for a wide range of projects, from blockchain-based games to decentralized finance platforms.

Mining: Mining is the process of validating and recording transactions on a blockchain network. Miners use powerful computers to solve complex mathematical problems, and in return, they are rewarded with newly minted cryptocurrency coins. Mining is an essential component of the decentralized nature of blockchain networks, as it ensures the security and integrity of the network.

Smart Contract: A smart contract is a self-executing contract with the terms of the agreement between buyer and seller being directly written into lines of code. The code and the agreements contained therein are deployed onto the blockchain. The code controls the execution, and transactions are trackable and irreversible. Smart contracts allow for the automation of complex processes, such as the transfer of assets or the execution of business logic.

Stablecoin: A stablecoin is a type of cryptocurrency that is pegged to the value of a stable asset, such as the US dollar or gold. Stablecoins are designed to minimize price volatility and provide a more predictable store of value than other cryptocurrencies. Stablecoins can be backed by collateral, such as fiat currency or other assets, or they can be algorithmically stabilized through the use of complex algorithms.

Taxable Event: A taxable event is any transaction or event that triggers a tax liability. In the context of cryptocurrency taxation, examples of taxable events include selling cryptocurrency for fiat currency, trading one cryptocurrency for another, and using cryptocurrency to purchase goods or services.

Token: A token is a digital asset that represents a particular fungible and tradable asset or a utility. Tokens can be created on existing blockchain platforms, such as Ethereum, or they can be issued on their own blockchain. Tokens can represent a wide range of assets, including shares in a company, voting rights, or access to a particular service.

Transfer: A transfer is the movement of cryptocurrency from one wallet to another. Transfers can be made between different wallets owned by the same person or between different people. Transfers are recorded on the blockchain and are subject to taxation if they constitute a taxable event.

Wallet: A wallet is a digital or physical device that stores the private keys required to access and manage cryptocurrency holdings. Wallets can be custodial, where a third party holds the private keys on behalf of the user, or non-custodial, where the user holds the private keys. Wallets can be further classified as hot or cold, depending on whether they are connected to the internet or not.

Wash Sale: A wash sale is the sale of a security at a loss and the repurchase of the same or a substantially identical security within 30 days. In the context of cryptocurrency taxation, wash sales are prohibited, and any losses resulting from a wash sale are disallowed for tax purposes.

Zcash: Zcash is a privacy-focused cryptocurrency that uses zero-knowledge proofs to enable shielded transactions, which provide anonymity and confidentiality. Zcash was launched in 2016 and is based on the Zerocash protocol, which is an extension of the Bitcoin protocol. Zcash has a total supply of 21 million coins and is mined using the Equihash proof-of-work algorithm.