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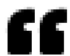
Crypto Tax Startup Koinly Releases Guide on Crypto Custody Options for Investors

Now more than ever, it makes sense to learn how to custody crypto - but what are the pros and cons? Crypto tax calculator Koinly's latest guide explains.

LONDON, UNITED KINGDOM, December 9, 2022 /EINPresswire.com/ -- While it seems as though there is another revelation every other day in relation to the FTX fallout, the crypto community is collectively returning to its roots and looking to self-custody crypto once again.



Self-custody is one of the pillars of the crypto space - allowing anyone to store their digital assets, but it does come with greater responsibilities.”

Danny Talwar

Following the drama from FTX collapsing, many other platforms have been impacted, including BlockFi, Gemini’s Earn product and Genesis - leading crypto participants to withdraw their crypto holdings from centralised exchanges en masse.

The mantra “not your keys, not your coins” has been a feature of the past couple of weeks in crypto markets, with record outflows from centralised exchanges - with over 80,000 BTC leaving exchanges in the last few days alone.

Now more than ever, it makes sense for crypto investors to custody their crypto, but how hard is it to get started - and what are the pros and cons? Crypto tax calculator Koinly's latest guide explains.

Crypto investors may have heard of either MetaMask or Trust Wallet or putting crypto into a cold storage wallet such as a Ledger or Trezor. All of these are great places to start when it comes to crypto custody.

Both MetaMask and Trust Wallet are examples of “hot wallets” or “software wallets”, where investors can self-custody crypto. However, they remain connected to the internet and therefore are potentially slightly more vulnerable to hacks or theft.

Alternatively, Ledger and Trezor wallets are referred to as “cold wallets” or “hardware wallets”, where private keys are held in an offline environment. Usually, this involves writing down a seed phrase on paper and storing it in a safe location, with transactions requiring approval from the

hardware wallet before being approved.

While there are pros and cons to using a hot or cold wallet, investors understanding how to keep custody of their crypto holdings is one of the most important aspects to understand as part of anyone's crypto journey. But does holding crypto change the way it is taxed?

Koinly's Head of Tax, Danny Talwar, had this to say relating to crypto taxes for funds held in a self-custody wallet.

"Self custody is one of the pillars of the crypto space - allowing anyone to store their digital assets, but it does come with greater responsibilities."

"From a tax perspective, taking custody of digital assets doesn't change anything versus keeping crypto on a Centralised Exchange. However, where crypto is moved from an exchange to a self-custody wallet, these may incur a small fee which is paid with an existing crypto balance - this may be taxable," he stated.

But what happens in the unfortunate event that private keys are lost or stolen?

"If crypto investors happen to lose their private keys, they may be able to claim a capital loss depending on which jurisdiction they are in," Danny Talwar, Koinly's Head of Tax, stated.

"Australians can claim lost or stolen crypto as a capital loss - the ATO does require proper evidence to demonstrate that the crypto has been genuinely lost," he continued.

Koinly's Head of Tax Education, Michelle Legge states, "Regardless of the crypto wallet an investor may use, Koinly can help when it comes to crypto taxes."

"Koinly supports over 350+ crypto exchanges; other major self-custody wallets, including MetaMask, Exodus, and Electrum, as well as hardware wallets like Trezor, Ledger and KeepKey, can all be plugged into Koinly's platform," she continued.

It is hoped that Koinly's latest guide on Crypto Self-Custody will assist investors in learning one of the most fundamental aspects of the crypto space.

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