

DIRECTIVE NO.	CEODIR-2020-006
DATE	FEBRUARY 1, 2020
DATE REVISED	N/APP
SUBJECT	CRYPTOCURRENCIES
REFERENCE	N/APP
INTENT	TO PROVIDE GUIDANCE ON TREATMENT OF TRANSACTIONS INVOLVING CRYPTOCURRENCIES
AUDIENCE	CHIEF OFFICIAL AGENTS, BUSINESS MANAGERS

The use of cryptocurrencies, such as bitcoin and alternative digital currencies (altcoins), has become increasingly prevalent in recent years. The term cryptocurrency refers to a digital asset designed to work as a medium of exchange for goods and services. These currencies are not supported by any government or central authority, such as the Bank of Canada nor does the government of Canada consider cryptocurrencies to be legal tender¹. This CEO Directive will provide guidance on appropriate treatment of campaign transactions involving cryptocurrency.

RECEIVING CONTRIBUTIONS IN THE FORM OF CRYPTOCURRENCY

Elections Saskatchewan considers cryptocurrency to be an asset, non-monetary in nature. Section 6(3) of *The Political Contributions Tax Credit Act* states that “a contribution must be a monetary contribution in order to be an eligible contribution.” As such contributions of cryptocurrency are not eligible for a tax receipt.

Contributions of cryptocurrency should be disclosed as a donation in kind as defined by section 269(1)(b) of *The Election Act, 1996*. The amount of contribution to be disclosed is the commercial value of the cryptocurrency in Canadian dollars at the time that it was received, based on the actual exchange rate or the rate on a major exchange platform. Any transaction fees incurred should be disclosed as an election expense for a candidate or operating expense for a registered political party.

¹ <https://www.canada.ca/en/financial-consumer-agency/services/payment/digital-currency.html>

Section 241 of *The Election Act, 1996* prohibits business managers and chief official agents from accepting anonymous contributions in excess of \$250. This section applies to both monetary contributions and donations in kind. As cryptocurrency transactions may be completed anonymously, it is incumbent on the business manager or chief official agent to collect all information required by The Act. As the \$250 limit applies in aggregate, it is recommended that name and address information be collected for all cryptocurrency contributions. Any anonymous contributions received in excess of \$250 must immediately be remitted to the Chief Electoral Officer.

Chief official agents and business managers should record the following for each cryptocurrency contribution received: contributor's name and address, transaction number on the blockchain or other public ledger; public address of the digital wallet of the contributor; contribution date; commercial value in Canadian dollars at the time received; and any transaction fees deducted. Supporting documentation for the exchange rate used to establish commercial value must be provided when filing a candidate's election expense return or registered political party's fiscal period return.

PURCHASING GOODS OR SERVICES WITH CRYPTOCURRENCY

Sections 235(a) and 246(4)(a) require chief official agents and business managers to ensure all accounts are kept at a chartered bank, a trust or a loan corporation or a credit union. As such, chief official agents and business managers may not purchase goods or services directly with cryptocurrency. Cryptocurrencies must be liquidated and the funds deposited to the party or candidate bank account before purchasing goods or services with the funds.

OTHER TRANSACTIONS INVOLVING CRYPTOCURRENCY

Should a business manager or chief official agent purchase cryptocurrencies at a price less than the commercial value on the day of purchase, a contribution from the seller must be disclosed in the amount of the difference between commercial value, based on the actual exchange rate or the rate on a major exchange platform, and purchase price. The seller must meet all requirements of an eligible contributor as outlined by *The Act* and all required information as outlined above must be collected.

Should a business manager or chief official agent sell cryptocurrencies at a price greater than the commercial value on the day of purchase, a contribution from the purchaser must be disclosed in the amount of the difference between commercial value, based on the actual exchange rate or the rate on a major exchange platform, and purchase price. The purchaser must meet all requirements of an eligible contributor as outlined by *The Act* and all required information as outlined above must be collected.



CEO Directive

In the case where a Registered Political Party incurs a gain or loss based on the holding and subsequent disposal of cryptocurrencies, the chief official agent must report the gain or loss on the party's fiscal period return as income from other sources for the year in which the cryptocurrencies were disposed.

A handwritten signature in blue ink that reads 'Michael D. Boda'.

DR. MICHAEL BODA
CHIEF ELECTORAL OFFICER
PROVINCE OF SASKATCHEWAN
FEBRUARY 1, 2020