Unreported Crypto and the CRA:
what "unprompted" and "prompted" really mean for you

If you bought, sold, swapped, or earned crypto over the past few years and some of it never made it onto your tax return, the CRA can now charge interest and penalties on the amounts you missed. There is a program that can reduce both. How much it saves you comes down almost entirely to one thing: whether you come forward before the CRA comes to you.

TWO WORDS THAT DECIDE THE WHOLE OUTCOME

UNPROMPTED

You came forward first

You approached the CRA about the unreported crypto before they ever contacted you about it. This is the position you want to be in. It unlocks the most relief the program offers.

PROMPTED

They reached out first

The CRA already contacted you by name about a specific problem before you disclosed. You can still apply, but the relief is smaller. A general reminder letter sent to all crypto holders does not count as being prompted.

WHAT EACH POSITION IS WORTH

Relief on offer	Unprompted You come forward first	Prompted CRA named you first	Too late Audit already open
Penalty relief	**100%**	Up to 100%	None through this program
Interest relief	**75%**	**25%**	None through this program
Gross negligence penalty	Waived	Waived	May apply (50% of the tax)
Criminal prosecution	Protected	Protected	Not protected
Tax you owe	Paid in full	Paid in full	Paid in full

The tax bill itself is the same in every column. Only the interest and penalties move, and there is a third position most people never hear about: once the CRA opens an audit or investigation on that issue, the program closes to you entirely. It becomes 75%, then 25%, then nothing.

THE TWO PENALTIES, IN PLAIN TERMS

Gross negligence penalty: 50% of the tax you understated

Under section 163(2) of the Income Tax Act, if the CRA decides you left income off your return knowingly, or in circumstances careless enough to count as gross negligence, it can add a penalty equal to half of the tax on the amount you missed. On $40,000 of understated tax, that is a $20,000 penalty on top of the tax and the interest. A successful disclosure removes this penalty.

Protection from criminal prosecution

The most serious cases of unreported income can be referred for tax evasion charges, not just penalties. When the CRA grants relief under the Voluntary Disclosures Program, it also agrees not to refer the disclosed issue for criminal prosecution. That protection is one of the main reasons people come forward while they still can.

Separately, a late-filing penalty can apply if the returns themselves were filed late: 5% of the balance owing, plus 1% for each full month the return is late, up to 12 months (a maximum of 17%). A disclosure can relieve this too.

A WORKED EXAMPLE, WITH THE MATH SHOWN

This is an illustration built to show how the numbers work, not a real client and not a prediction for your situation. Say a reconstruction of someone's 2019 to 2023 crypto history turns up **$40,000 of tax** that was never paid.

Where the numbers come from	Amount
Tax owing on the unreported gains The actual tax, reconstructed across every wallet and exchange	$40,000
Arrears interest Compounded daily at the CRA's overdue-tax rate, which has run between 5% and 10% since 2020 and sits at 7% in 2026. On a balance building since 2019 that adds up to roughly a third of the tax.	≈ $14,000
Gross negligence penalty exposure 50% of the $40,000 understated tax, if the CRA applies it	$20,000

UNPROMPTED

$43,500

$40,000 tax + $3,500 interest (75% relieved) + $0 penalty. Prosecution protection included.

PROMPTED

$50,500

$40,000 tax + $10,500 interest (only 25% relieved) + $0 penalty. Still protected.

TOO LATE

$74,000

$40,000 tax + $14,000 interest + $20,000 penalty. No protection.

Waiting until "prompted" costs about **$7,000** more here. Waiting until an audit opens costs about **$30,500** more. Same history, same tax, different date. Interest is an estimate based on the CRA's actual published rates; your real figures depend on the amounts and the years involved. You can run your own interest estimate with our CRA interest calculator.

WHERE THIS STANDS TODAY, AUGUST 2026

The disclosure program is live right now.

The rules above took effect on October 1, 2025 and apply to every application from that date forward. This is not a future change. It is the program as it runs today.

And the reporting net is coming.

Canada has formally committed to the international Crypto-Asset Reporting Framework (CARF), the system that will have exchanges report account holders and their activity straight to the CRA. It is moving through Parliament in Bill C-31, which passed second reading in June 2026. The exact first-reporting date is not locked yet (as drafted it applies from the 2027 calendar year, with first reports in 2028), but the direction is settled. The informal gap that let a lot of crypto history stay invisible is closing. The question is simply whether you deal with it on your terms or theirs.

WHAT ACTUALLY HAPPENS WHEN YOU CALL US

The 15-minute call is not the work. It is where we figure out together whether the work is worth doing for you.

1. **You tell us what you are holding** and roughly what has gone unreported. Nothing to prepare, just an honest picture.
2. **We walk you through your options** and explain how a disclosure application actually works, start to finish, so it stops feeling like a black box.
3. **We are upfront about cost.** If moving forward makes sense, that is a separate engagement, and you will know what it involves before you commit to anything.
4. **If you go ahead,** we reconstruct your full crypto history, recalculate your real numbers, and prepare the adjustments and the disclosure form together.

One thing we will never do is promise the CRA will waive your penalties. That relief is always at their discretion. What we can do is make sure your disclosure is complete, accurate, and filed while you still qualify for the better tier.

Book your 15-minute call →

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Sources. CRA, Information Circular IC00-1R7, Voluntary Disclosures Program (canada.ca) · CRA, Voluntary Disclosures Program overview (canada.ca) · CRA, Prescribed interest rates (canada.ca) · CRA, Reporting income from crypto-asset transactions (canada.ca) · Income Tax Act ss. 162(1), 163(2), 220(3.1) · CRA commentary on the crypto "general notice" point, June 18 2026 STEP Canada webcast, as reported by Fasken (fasken.com) · Bill C-31 status (parl.ca).