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MEMBER EDUCATION

2025/26
TAX YEAR

THE SMART INVESTOR'S GUIDE TO

CRYPTO TAX COMPLIANCE

ESSENTIAL KNOWLEDGE.
STRATEGIC CONFIDENCE.

A practical guide to understanding crypto tax rules — and protecting what you've built.

UNDERSTAND THE RULES
Know what counts as a disposal, income or gain.

KNOW YOUR OBLIGATIONS
HMRC rules, reporting thresholds and key deadlines.

KEEP BETTER RECORDS
What to track, store and be ready to evidence.

PLAN WITH CONFIDENCE
Practical steps to manage risk and stay compliant.

> This guide is written for general information purposes only. It does not purport to offer advice on investments or taxation. Any individual or corporate which seeks guidance for their specific circumstances should seek appropriate independent advice.

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Introduction

It’s now 16 years ago – 2009 – that the he/she/they Satoshi Nakamoto launched Bitcoin into the world. Creating a new cyber age of unregulated digital 6urrency freedom. For purchases, investment, trading. For digital Freedom.

An estimated 1 in 5 people in the UK, now have Crypto exposure. There’s two things that governments are addicted to doing about free-market affairs: interference, and taxation.

Govt UK is already it's plans to bring regulation to bear on DLT holdings, trading and transactions.

The state’s disapproval of DLT free markets doesn’t, of course, stop them trying to tax the profits it creates. Starting in 2018, HMRC began turning the DLT sea into a feeding ground for its shark appetites. Swimming almost silently, with just a fin in the water apparent to the observant.

HMRC internal manual Cryptoassets Manual	From: HM Revenue & Customs Published 30 March 2021 Updated: 6 May 2025, see all updates https://www.gov.uk/hmrc-internal-manuals/cryptoassets-manual

Contents

1. Does Crypto Tax Really Affect Me?

In a word: Yes.

- If you are holding for a gain:
  - or if you make a gain, just by holding Crypto for an intended purchase of goods or services.
- If you are trading:
  - and we will see that it’s HMRC (and ultimately the courts, after a long and expensive legal battle) who will decide that.

HMRC is now actively targeting traders and investors:

SHARK POINT

HMRC to demand crypto assets info from taxpayers

The UK's tax and customs authorities are now demanding information on holdings in cryptocurrency for taxpayers that it investigates for tax evasion and avoidance, according to a national accountancy group.

HMRC's 'statement of assets' form, used when demanding a complete account of all of a taxpayer's assets, now includes explicit demands for information on cryptocurrencies and other assets.

http://www.proactiveinvestors.com.au/pdf/create/news/details/947958/l

This is how HMRC Crypto Tax affects you:

You are required by law to file a Self-Assessment Tax Return every year, and report your income and gains.

If you fail to file & report:

- you can be investigated: which can cost £tens of thousands
- you can be charged interest and penalties
- you can even be prosecuted, at risk of a jail sentence

Basic Self-Reporting Rules

If you are tax resident in the UK, and you make gains of over your CGT annual exemption (£3,000 for 2025/26) you will need to report and pay CGT via a UK annual self-assessment tax return.

If your gains fall within your CGT annual exemption, you may still need to report the gains where the proceeds exceed four times the annual exemption (i.e. £12,000 for 2025/26), or where you have other capital gains or losses.

If you are – or deemed by HMRC – to be trading, then if your taxable income exceeds £12,570, you must report your taxable income.

Item	Amount
CGT annual exemption	£3,000 for 2025/26
Four times the annual exemption	£12,000 for 2025/26
Taxable income threshold if trading	£12,570

SHARK POINT

HMRC now receives information direct from UK crypto exchanges/platforms.

For example, Coinbase, the digital currency exchange, confirmed that it has shared with HMRC details of UK resident users who have used its platform with Crypto transactions of £5,000 or more in the last tax year.

HMRC has allocated resources to ensuring the tax due on cryptocurrencies transactions are declared through collaboration with their international partners.

The J5 (Joint Chiefs of Global Tax Enforcement comprising Australia, Canada, the Netherlands, USA and the UK) are also already sharing information on the use of cryptoassets and foresee more information being shared globally in the coming years in a co-ordinated effort to tackle tax crimes.

https://www.thisismoney.co.uk/money/investing/article-9330575/Do-pay-tax-Bitcoin-profits-tax-expert-replies.html

Can’t Pay: Still Have to Pay

We love the freedom of Crypto investing.

- Unregulated markets
- No leverage limits
- No margin calls (unless stipulated)
- Stop-loss if you like: trade to the limit if you don’t
- It’s all Black Swans: volatility rules

That all makes for massive potential upside.

And a jaw-crunching downside:

SHARK POINT

What investors really need to watch out for is the risk that their gains will have vanished by the time their tax bill is due.

Because there can be a long gap between when you realise gains through a disposal and when you pay your tax bill, your crypto assets could have fallen so much you do not have the means to pay your tax bill.

Investors should always be thinking about how they would pay a future whacking great tax liability, potentially making real withdrawals to do so.

Your coins might be worthless by the time the January tax deadline comes around but you will still have to pay tax on gains that have vanished.

https://www.investorschronicle.co.uk/ideas/2021/05/11/how-your-crypto-gains-are-taxed/

How Are Crypto Profits Taxed?

Any Crypto transaction that locks in a gain is treated as a disposal for capital gains tax purposes. Your gains are the difference between the purchase price and the price at disposal (and less 'allowable' losses): see 3. How Much Tax Do They Want?

Sounds simple? It really isn't.

Selling your Crypto assets for real (fiat) rather than digital money is obviously a disposal. But so is exchanging one type of coin for another, a common feature of Crypto investing.

In a rising market, every transaction you make is likely to crystallise gains, even if you're not turning them into Fiat.

selling tokens for money exchanging tokens for a different type of token using tokens to pay for goods or services giving away tokens to another person (unless it's a gift to their spouse or civil partner)

Capital Gains Tax: what is a disposal

Individuals need to calculate their gain or loss when they dispose of their tokens to find out whether they need to pay Capital Gains Tax.

A 'disposal' is a broad concept and includes:

There is no disposal if the individual retains beneficial ownership of the tokens throughout the transaction, for example moving tokens between public addresses that the individual beneficially controls (commonly described as moving tokens between wallets).

HMRC requires you to declare your taxable gains and payments on all types of crypto assets, including: exchange, utility and security tokens, and stable coins.

The type of cryptoasset Date of the transaction If they were bought or sold Number of units involved value of the transaction in pound sterling (as at the date of the transaction) Cumulative total of the investment units held Bank statements and wallet addresses, in case these are needed for an Enquiry or review.

Cryptoasset exchanges may only keep records of transactions for a short period, or the exchange may no longer be in existence when an individual completes a tax return.

The onus is therefore on the individual to keep their own records for each cryptoasset transaction, and these must include:

And that's where HMRC get you.

HMRC can issue you with an estimated assessment. In any £amount.

Then, it's up to you to dispute it – and to prove your actual investment gains (net of allowable losses):

Crypto investing means computers: algorithms programs to shift between Crypto assets. Even the quietest investor can rack up thousands and even millions of transactions: with each one counting as a CGT disposal.

Did you catch that part?

You see a "+/-" score on your dashboard. Showing how the total investment is doing: up or down.

But you could be taxed by reference to the actual trades going on in the

underlying portfolio assets.

You might be able to check these. But that’s going to take you hundreds of hours, and vast amounts of record-keeping.

SHARK POINT

Now, be brave and have a glance in the Annex (pages 17-21) at:

Cryptoassets for individuals: Capital Gains Tax: pooling

Cryptoassets for individuals: Capital Gains Tax: Fees satisfied in tokens

Cryptoassets for individuals: Capital Gains Tax: blockchain forks

Cryptoassets for individuals: Capital Gains Tax: airdrops

This is what happens when a bunch of beaurocrats just invent ‘rules’:

• That you have to comply with, or face non-disputable tax bills, potential interest, penalties, or even prison

• Which - even on their own terms – just don’t work in the real world of DLT markets.

• With HMRC incentive to interpret their rules, their way.

• Keeping timely and accurate records, which satisfy HMRC’s bizarre and invented rules than actually figuring out your investment tactics

You have a non-disputable CGT bill coming your way

SHARK POINT

This is easy. Just take every problem from the last 3 pages.

And multiply it. Thousands and millions of times over.

Including for:

• Exchanges

• Airdrops

• Providing goods or services in return for exchange tokens Mining. Then double the tax rate downside (from 20% to 40%).

On the bright side, you can deduct trading expenses: costs wholly and exclusively incurred in running your trade.

Like your computer set-up. Well, not quite.

Now sir, how much computer time do you spend on trading, and how much on

watching Netflix? And can you produce records please? Of your complete internet history this tax year.

SHARK POINT

20% tax

In calculating your taxable gain, you get to Deduct: Your cost of purchase of the Crypto asset Transaction fees paid for having the transaction included on the distributed ledger Exchange costs Advertising for a purchaser or a vendor Professional costs to draw up a contract for the acquisition or disposal of the tokens Costs of making a valuation or apportionment to be able to calculate gains or losses

We're going to assume that you're making more money from the DLT markets, than just arising from the investment of social security cheques. You're a higher-rate taxpayer.

Many cryptoassets (such as bitcoin) are traded on exchanges which do not use pound sterling, so the value of any gain or loss must be converted into pound sterling on the Self-Assessment tax return.

If the transaction does not have a pound sterling value (for example if bitcoin is exchanged for ripple) an appropriate exchange rate must be established in order to convert the transaction to pound sterling. Reasonable care should be taken to arrive at an appropriate valuation for the transaction using a consistent methodology. Details of the valuation methodology should be kept. HMRC users of this manual should liaise with Shares Assets and Valuation (SAV) where assistance is required in agreeing a value for tax purposes.

Not so simple - Not so fast! HMRC has set out with complete clarity its deliberately vague weasel words about how this is all calculated:

40% tax

(45% over £150,000)

CRYPTO20250 - Cryptoassets for individuals: what is trading

Only in exceptional circumstances would HMRC expect individuals to buy and sell exchange tokens with such frequency, level of organisation and sophistication that the activity amounts to a financial trade in itself.

So now you have to go hire the £350 per hour accountant: who left accountancy school when they still had the £1 Note.

To argue about the incalculable, with The Shark Big Teeth. Tiny ears.

If the taxpayer's activity is considered to be trading then Income Tax will take priority over Capital Gains Tax and will apply to profits (or losses).

As with any activity, the question whether cryptoasset activities amount to trading depends on a number of factors and the individual circumstances. Whether an individual is engaged in a financial trade through the activity of buying and selling tokens will ultimately be a question of fact.

It's often the case that individuals and companies entering into transactions consisting of buying and selling tokens will describe them as 'trades'. However, the use of the term 'trade' in this context is not sufficient to be regarded as a financial trade for tax purposes.

www.liars.org.uk Here is the 101 classic lies

1. The cheque's in the post. 2. I'll only be five minutes. 3. No, I never received your email. 2. This won't hurt a bit. 5. This will hurt me more than it hurts you. ...

Steady on. It is not being suggested that HMRC would deliberately misrepresent a state of affairs, to the disadvantage of taxpayers. No such suggestion is needed. The problem is that "trading" is a status which:

- is not defined by law
- is defined by HMRC, as they see fit to argue, at your expense

These are known in tax law as Badges Of Trade, like in:

- Single transaction undertaken as adventure in trade, including speculative

adventure which generates an unexpected profit which is of income, not capital

nature.: CIR v Fraser [1942] 24 TC 498.

- Many systematically repeated transactions at high frequency

showing a continuous activity. Or, the opposite:

- Scarce number of transactions, where the motive to set up a trade was not at

first present but formed later (by the time subsequent transactions arose):

Leach v Pogson [1962] 40 TC 585.

- Nature of asset and how it generates income: (i) Typical trading commodity:

like most Crypto assets. (ii) Assets which do not produce income until they are

sold: like most Crypto assets - point towards trade.

- Asset is not used for enjoyment and of no use to the owner unless sold:

Wisdom v Chamberlain [1968] 45 TC 92.

- Rutledge v CIR [1929] 14 TC 490 where the trading transaction involved the

purchase and sale of rolls of toilet paper.

SHARK POINT

Profits of the Same Trade

And this is where they get you. Again.

You can only carry forward losses to future years, to reduce profits of the Same Trade. But you're likely going to be trading in and out of mixed bags of different Cryptos. Along with stocks, derivatives, currencies, units and more.

So how is that the Same Trade? Reasonable people could have different views. When Shark food is at stake: you can count on it.

SHARK POINT

So now you have to go hire the £350 per hour accountant. Again.

To argue with The Shark.

BIM20200 - Meaning of trade: badges of trade: contents

https://www.gov.uk/hmrc-internal-manuals/business-income-manual/bim20200

Now, this is an odd one. Google Crypto Trading Tax, and you'll find pundits who are telling you:

don't worry, HMRC won't want to call what you're doing in Crypto waters a "trade", because you might have losses, which you can then set off against any other self-employed income.

But, HMRC doesn't neeed to take a punt on your trading future luck or skill. HMRC gets to see your past year trading record. And tax you on that: if you made profits.

BIM20210 Profit-seeking motive BIM20215 Profit-seeking motive - not main purpose BIM20220 Profit-seeking motive - fiscal purpose BIM20230 Isolated transactions BIM20235 Repeated operations BIM20240 Repeated operations - later transactions reflecting on first BIM20245 Nature of the asset BIM20250 Income-producing assets BIM20255 Assets acquired for personal enjoyment BIM20260 Assets with no income yield or 'pride of possession' BIM20265 Quantity purchased BIM20270 Connections with existing trade BIM20275 Modification of the asset

BIM20280 Organisation of the activity BIM20285 Sales organisation BIM20290 Company formed for the purpose of the transaction BIM20295 Reasons for sale BIM20300 Method of finance BIM20305 Funding from an existing trade BIM20310 Interval of time between purchase and sale BIM20315 Supervening trade BIM20401 Intention - stated intention BIM20405 Intention - unequivocal and equivocal transactions BIM20410 Intention - dual motive transactions BIM20415 Intention - links to non-trading undertakings or charities BIM20420 Memorandum of association

In Ali V HMRC [2016] SFTD 335; [2016] UKFTT 8 (TC) the First- tier Tribunal (FTT) ruled that Mr Ali's share dealings amounted to a trade.

The taxpayer was a pharmacist who since the 1990s also engaged in buying and selling listed stocks and shares with the intention of making profits from short-

term price movements. He spent up to 40 hours per week on this activity, but did not succeed in making

overall profits and claimed the losses against his other income.

SHARK POINT

CGT

You make an allowable loss when you sell a Crypto asset and realise a loss. That's not the same as showing a loss in your book. You actually have to sell the Crypto.

So now you have to go hire the £350 per hour accountant. Again.

To argue with The Shark

Big Teeth. Hard of hearing. Costs more than the profits you made from Crypto investment. Plus the tax. And interest. And penalties. That's what DLT freedom looks like in Shark Waters.

For smaller investors, there's a wonderful HMRC inversion of commercial market logic:

- you have to deduct your CGT losses
- before claiming your annual exempt allowance (AEA) of £3,000.

But how tax years and tax reporting deadlines work, has nothing to do with the realties of the DLT markets. So, you can end up having to declare and pay CGT on

“gains” that you can’t offset with losses.

SHARK POINT

On the bright side, you can carry forward CGT losses, year after year. You must register

a loss with HMRC within four years from the end of the tax year in which the loss has

occurred.

But: you can’t carry losses back to previous years.

After all, once The Shark has bitten, you can’t really expect the jaws to open up,

and hand it back, can you?

At last! Losses Wonderland. You can set your trading losses off all over the place, and even for previous years:

But now you can survive The Shark Using 21st Century Digital Wealth Protection Technology By Joining a Private Coin Exchange.

Common sense tells us that success is not to be expected, when playing a game, in which the other side sets and interprets the rules; and acts as referee.

The new HMRC crackdown on Crypto investment and trading, being pushed online everywhere, tells you that:

The game is here to stay The ‘rules’ will be endlessly tweaked to HMRC advantage Unprotected Crypto swimmers must by law comply.

Invest or Trade, tax free by statute No HMRC reporting; no taxes to pay A value based service: you only pay for what you save Available to Individuals &

Corporates

Private Coin Exchange

ANNEX

1. CRYPTO10100

What are cryptoassets

2. CRYPTO10150

Derivatives over cryptoassets

3. CRYPTO10200

Distributed Ledger Technology

4. CRYPTO10250

Exchanges and exchange fees

5. CRYPTO10300

Consensus - proof of work and proof of stake

6. CRYPTO10350

Public and private keys

7. CRYPTO10375

Wallets

8. CRYPTO10400

Record keeping

9. CRYPTO10450

Why HMRC does not consider buying and selling cryptoassets to be gambling

Cryptoassets (also referred to as ‘tokens’ or ‘cryptocurrency’) are cryptographically secured digital representations of value or contractual rights that can be:

- Transferred
- Stored
- Traded electronically

While all cryptoassets use some form of Distributed Ledger Technology (DLT) not all applications of DLT involve cryptoassets. Further information on DLT is at CRYPTO10200.

There are different types of cryptoassets, which work in different ways. The main types of cryptoasset include:

Exchange Tokens

Exchange tokens are intended to be used as a means of payment and are also becoming increasingly popular as an investment due to potential increases in value. The most well-known token, bitcoin, is an example of an exchange token.

Utility Tokens

Utility tokens provide the holder with access to particular goods or services on a platform, usually using DLT. A business or group of businesses will normally issue the tokens and commit to accepting the tokens as payment for the particular goods or services in question. In addition, utility tokens may be traded on exchanges or in peer-to-peer transactions in same way as exchange tokens.

Security Tokens

Security tokens provide the holder of a security token particular rights or interests in a business, such as ownership, repayment of a specific sum of money, or entitlement to a share in future profits.

Stablecoins

Stablecoins are another prominent type of cryptoasset. The premise is that these tokens minimise volatility as they may be pegged to something that is considered to have a stable value such as a fiat currency (government-backed, for example US dollars) or precious metals such as gold.

How HMRC Treats Cryptoassets

The tax treatment of all types of tokens is dependent on the nature and use of the token and not the definition of the token.

HMRC does not consider cryptoassets to be currency or money. This reflects the position previously set out in the Cryptoasset Taskforce report. On its own, owning and using cryptoassets is not illegal in the UK and does not imply tax evasion or any other illegal activities.

A derivative is a financial instrument where the performance is based on the movementofthepriceoftheunderlyingasset. Underaderivativetheholderdoesnot hold the underlying asset. Some businesses offer the ability for individuals and companies to gain exposure to the movements in the cryptoasset market by using a derivative.

The nature of a derivative is typically very different to directly holding a cryptoasset. In particular, a derivative will give rise to contractual rights and obligations between the two parties. As a result, where a cryptoasset derivative has been entered into the guidance in this manual will not generally apply.

Where a company enters into a derivative over a cryptoasset this will typically constitute a ‘derivative contract’ within Part 7 of CTA09. Further guidance on derivate contracts is at CFM50000. For the position of individuals and other cases where the Part 7 rules do not apply, see the guidance at CFM50070.

Distributed Ledger Technology (DLT) is a digital system that records details of transactions in multiple places at the same time. Unlike traditional databases, distributed ledgers have no central data store or administration functionality. The ledger acts as an immutable record of all the transactions that have happened within the network previously.

Due to its secure nature, the concept of DLT is generating interest in many sectors including banking and fintech. A well-known application of DLT is the Bitcoin blockchain, which acts as a public record of all the transactions that have ever taken place.

exchange their fiat (government backed) currency for a particular token; exchange tokens for other tokens; and/or convert tokens into fiat currency.

An exchange is an online platform where people who wish to own cryptoassets can:

custodial (offering a wallet as part of their service), or non-custodial (not offering a wallet).

Deposit fees are charged when fiat currency is deposited with the exchange. There may also be conversion fees if the fiat currency isn’t supported by the exchange. Trading fees are the predominant income source for exchanges. These will normally form a percentage of the trade being requested and will be payable regardless of whether the trade is to acquire or dispose of tokens. Withdrawal fees may be applied for withdrawing fiat currency but may also apply to the withdrawal of tokens.

There are a large number of exchanges offering a range of services. They can be:

Using an exchange usually involves creating an account, which is a contractual agreement based on specific terms and conditions. Account holders can then propose/request and undertake transactions via the exchange.

The exchange will try to complete these transactions by matching the account holder’s requested transaction with the requested transactions of other account holders. The exchange may hold some tokens and/or fiat currency itself to execute transactions and act as a ‘market maker’ in a limited sense.

Exchange fees are an important area when considering a person’s tax position. It is necessary to consider the relevant tax as the rules for deductions for miscellaneous income and capital gains tax are restrictive. There are different types of exchange fees:

A person may only be entitled to a deduction for a minority or even none of the exchange fees depending on the type of fees incurred. Guidance on the deduction of fees for Capital Gains purposes is at CRYPTO22150 for individuals and CRYPTO41300 for companies.

Many cryptoasset networks are not controlled by a single body or person. Typically, the network of users of a specific token play a role in verifying transactions or making technological changes.

This mechanism is often referred to as a ‘consensus’ because a sufficient proportion of the network must agree to a transaction or technological change before it can go ahead. For example, if A wishes to send 500 tokens to B, it must first be verified that A does indeed hold that many tokens. If the network agrees that this is the case, the transaction is added to the distributed ledger.

Proof of Work

The most well-known consensus system is Proof of Work, which is used by Bitcoin (amongst others). Here, the right to add a new entry to the distributed ledger is only available to the first person to solve a randomly generated complex cryptographic puzzle. That person then creates the new entry and it is shared with all holders of the distributed ledger. The time and energy required to solve the puzzle is the proof of work, the right to add the entry is the primary reward. The person with that right will be entitled to any fees available for including transactions in that entry and they will be allocated with a quantity of new tokens that are released into circulation. This process is known as ‘mining’ and serves to maintain the network of a given cryptoasset.

Proof of Stake

This has developed as an alternative to Proof of Work due to the significant amount of energy and computing power that system requires. Under Proof of Stake, the ability to create a new entry is determined by a user’s wealth in the cryptoasset (or ‘stake’) rather than them having the computer power to solve a puzzle before anyone else does. Here, those verifying transactions are rewarded with fees for facilitating the transaction instead of any new tokens.

Hardware wallets - store key details offline on a piece of hardware such as a simple USB drive. It is possible to purchase hardware devices with the wallet already installed on them. More advanced versions of hardware wallets have additional security functions. Paper wallets - where the information of the private and public keys is simply printed or written on paper. This means it is always offline and its location known only by the holder.

A cryptoasset wallet is a user interface where the private key is stored. There are two main types of wallet: cold wallet and hot (sometimes called ‘software’) wallet. A cold wallet refers to a wallet that is not accessible via an internet connection. Examples of a cold wallet include:

Online wallets may be offered by cryptoasset exchanges as part of their services. They can be held on a server in a specific geographical location, on a cloud or the storage may be contracted out to a wallet provider. In this case the platform holds and controls the public key and private key. Client-side wallets are also known as desktop wallets. They are managed locally on a user’s computer or mobile device.

A software wallet is one that is accessible via the internet. It can be further divided into online wallet and client-side wallets.

Some token owners memorise their keys and do not use a wallet. Some people may also only store their private key as it is possible to reproduce the public key from that private key. In essence, anything that can store data could become the wallet. Where a wallet exists, it is the ‘container’ for the keys. The wallet/keys can be duplicated. The loss of a wallet does not affect the existence of the tokens themselves.

paper (cold) wallets containing the individual’s public and private keys electronic (hot) wallets on devices other records of their transactions and balances such as downloads of their wallet activity from a cryptoassets exchange hardware (cold) wallets looking like a USB, containing the individual’s public and private keys.

the point of deposits into a bank account; and use of a cryptoasset Automated Teller Machine (ATM)

Cryptoasset exchanges may only keep records of transactions for a short period, or the exchange may no longer be in existence when an individual completes a tax return. The onus is therefore on the individual to keep their own records for each cryptoasset transaction.

Records of cryptoassets can be:

Cryptoassets are digital assets and as such all records in a wallet should show balances and transactions, either in full or via reference to a public blockchain. The individual’s access to fiat currency could come from:

These are records which should also be kept and produced for an enquiry. They form part of the audit trail from acquisition to disposal and therefore evidence of any gains made.

the type of cryptoasset date of the transaction if they were bought or sold number of units involved value of the transaction in pound sterling (as at the date of the transaction) cumulative total of the investment units held bank statements and wallet addresses, in case these are needed for an enquiry or review.

Cryptoasset transactions usually occur on a public blockchain (see CRYPTO10200), so can be viewed digitally and checked using records obtained from a wallet. A link to an open source blockchain transaction and acknowledgement of the individual owning the public key involved in the transaction is a record as is a download from their wallet provider or exchange.

Cryptoassets are obtained, administered, exchanged, used and linked to fiat currency electronically or digitally. It is therefore reasonable to request electronic records with full details of transactions and any supporting valuation records for the acquisition and disposal tax points.

Cryptoasset exchanges may only keep records of transactions for a short period, or the exchange may no longer be in existence when an individual completes a tax return. The onus is therefore on the individual to keep their own records for each cryptoasset transaction, and these must include:

HMRC does not consider the buying and selling of cryptoassets to be the same as gambling. The term ‘gambling’ is not defined in the Income Tax or Corporation Tax Acts, or in the Taxation of Chargeable Gains Act 1992. Whether a transaction can be characterised as betting or gambling is a question of fact. It will be down to the caseworker to consider the particular facts of any transaction involving cryptoassets and conclude whether that transaction had the character of betting or gambling. Where a customer considers that their transactions involving cryptoassets amounted to gambling please make a referral following the process at CRYPTO100500.

1. CRYPTO20050

Which taxes apply

2. CRYPTO20250

What is trading

3. CRYPTO21000

Income Tax: contents

4. CRYPTO22000

Capital Gains Tax: contents

5. CRYPTO23000

Valuation

6. CRYPTO24000

Stamp Duty, Stamp Duty Reserve Tax and Stamp Duty Land Tax

7. CRYPTO25000

Inheritance Tax

8. CRYPTO26000

Pension contributions

their employer as a form of non-cash payment (see CRYPTO21100) mining, transaction confirmation or airdrops (see CRYPTO21150, CRYPTO21200 and CRYPTO21250)

In the vast majority of cases, individuals hold cryptoassets as a personal investment, usually for capital appreciation or to make particular purchases. They will be liable to pay Capital Gains Tax when they dispose of their cryptoassets.

Individuals will be liable to pay Income Tax and National Insurance contributions on cryptoassets which they receive from:

As set out in CRYPTO20250 there may be cases where the individual is running a business which is carrying on a financial trade in cryptoassets and they will therefore have taxable trading profits. This is likely to be unusual, but in such cases Income Tax rules would take priority over the Capital Gains Tax rules.

Guidance on record keeping in relation to cryptoassets and taxes is at CRYPTO10400.

Only in exceptional circumstances would HMRC expect individuals to buy and sell exchange tokens with such frequency, level of organisation and sophistication that the activity amounts to a financial trade in itself. If the taxpayer’s activity is considered to be trading then Income Tax will take priority over Capital Gains Tax and will apply to profits (or losses).

As with any activity, the question whether cryptoasset activities amount to trading depends on a number of factors and the individual circumstances. Whether an individual is engaged in a financial trade through the activity of buying and selling tokens will ultimately be a question of fact. It’s often the case that individuals and companies entering into transactions consisting of buying and selling tokens will describe them as ‘trades’. However, the use of the term ‘trade’ in this context is not sufficient to be regarded as a financial trade for tax purposes.

A trade in exchange tokens would be similar in nature to a trade in shares, securities and other financial products. The approach to be taken in determining whether a trade is being conducted or not would also be similar, and guidance can be drawn from the existing case law on trading in shares and securities.

More information on the existing approach and case law for share transactions and financial traders can be found in BIM56800.

If the activity does not amount to trading the activity will be one of investment and Capital Gains Tax will apply, the guidance for which starts at CRYPTO22000.

Tokens can be awarded to ‘miners’ for verifying additions to the blockchain digital ledger. Mining will typically involve using computers to solve difficult mathematical problems in order to generate new tokens. There is a further explanation of what mining is at CRYPTO10300.

Whether such activity amounts to a taxable trade (with the tokens as trade receipts) depends on a range of factors such as:

- degree of activity
- organisation
- risk
- commerciality

If the mining activity does not amount to a trade, the pound sterling value (at the time of receipt) of any tokens awarded will be taxable as income (miscellaneous income) with any appropriate expenses reducing the amount chargeable.

For more information on miscellaneous income, see BIM100000.

If the individual keeps the awarded assets, they may have to pay Capital Gains Tax when they later dispose of them.

Some types of consensus require the ‘staking’ of exchange tokens which weights the entitlement to newly forged tokens, as is explained at CRYPTO10300.

Whether such activity amounts to a taxable trade (with the tokens as trade receipts) depends on a range of factors such as:

- degree of activity • organisation
- risk
- commerciality

If the activity does not amount to a trade, the pound sterling value (at the time of receipt) of any tokens awarded will be taxable as income (miscellaneous income) with any appropriate expenses reducing the amount chargeable.

For more information on miscellaneous income, see BIM100000.

If the individual keeps the awarded assets, they may have to pay Capital Gains Tax when they later dispose of them.

without doing anything in return (for example, not related to any service or other conditions) not as part of a trade or business involving cryptoasset exchange tokens or mining

miscellaneous income receipts of an existing trade

An airdrop is where someone receives an allocation of tokens, for example as part of a marketing or advertising campaign in which people are selected to receive them. Other examples of airdrops may involve tokens being provided automatically due to other tokens being held or where an individual has registered to become eligible to take part in the airdrop.

The airdropped tokens, typically, have their own infrastructure (which may include a smart contract, blockchain or other form of distributed ledger technology) that operates independently of the infrastructure for an existing cryptoasset.

Income Tax will not always apply to airdropped tokens received in a personal capacity. Income Tax may not apply if they're received:

Airdrops that are provided in return for, or in expectation of, a service are subject to Income Tax either as:

The disposal of a token received through an airdrop may result in a chargeable gain for Capital Gains Tax, even if it's not chargeable to Income Tax when it's received. Where changes in value get brought into account as part of a computation of trade profits Income Tax will take priority over Capital Gains Tax.

An individual who is trading may be able to reduce their Income Tax liability by offsetting any losses from their trade against future profits or other income. HMRC's Losses: HS227 Self Assessment helpsheet has more information (including restrictions that apply).

If profits from activities are taxable as miscellaneous income, losses may be able to be carried forward to later years. For more information on miscellaneous income, see BIM100000.

1. CRYPTO22050

What is an asset

2. CRYPTO22100

What is a disposal

3. CRYPTO22150

Allowable expenses

4. CRYPTO22200

Pooling

5. CRYPTO22250

Pooling examples: contents

6. CRYPTO22280

Fees satisfied in tokens

7. CRYPTO22300

Blockchain forks

8. CRYPTO22350

Airdrops

9. CRYPTO22400

Losing private keys

10. CRYPTO22450

Being defrauded

11. CRYPTO22500

S24 and negligible value

12. CRYPTO22550

Currency

13. CRYPTO22600

Determining the location of exchange tokens

capable of being owned have a value that can be realised

Tokens are digital and therefore intangible, but count as a ‘chargeable asset’ for Capital Gains Tax if they’re both:

For more information about what makes an ‘asset’ for Capital Gains Tax purposes, see CG12010.

Customers looking for guidance on paying Capital Gains Tax when disposing of cryptoassets can refer to this guidance: https://www.gov.uk/guidance/check-if-you-need-to-pay-tax-when-you-sell-cryptoassets.

HMRC expects that buying and selling of tokens by an individual will normally amount to investment activity (rather than a trade of dealing in tokens). In such cases, if an individual invests in tokens they will typically have to pay Capital Gains Tax on any gains they realise.

selling tokens for money exchanging tokens for a different type of token using tokens to pay for goods or services giving away tokens to another person (unless it’s a gift to their spouse or civil partner)

Individuals need to calculate their gain or loss when they dispose of their tokens to find out whether they need to pay Capital Gains Tax. A ‘disposal’ is a broad concept and includes:

There is no disposal if the individual retains beneficial ownership of the tokens throughout the transaction, for example moving tokens between public addresses that the individual beneficially controls (commonly described as moving tokens between wallets).

Using a mixer, tumbler or similar service so that the individual receives the same type of tokens that they put into the transaction also is not a disposal. However, it will constitute a disposal if the individual puts token A into the transaction and receives token B in return.

if they make a ‘tainted donation’ where the individual disposes of the tokens to the charity for more than the acquisition cost so that they realise a gain

If tokens are given away to another person who is not a spouse or civil partner, the individual must work out the pound sterling value of what has been given away. For Capital Gains Tax purposes, the individual is treated as having received that amount of pound sterling even if they did not actually receive anything.

If Income Tax has been charged on the value of the tokens received, section 37 TCGA 1992 will apply. Any consideration will be reduced by the amount already subject to Income Tax.

If an individual donates tokens to charity, they will not have to pay Capital Gains Tax on them, see CG66620P. This does not apply:

the consideration (in pound sterling) originally paid for the asset transaction fees paid for having the transaction included on the distributed ledger advertising for a purchaser or a vendor professional costs to draw up a contract for the acquisition or disposal of the tokens costs of making a valuation or apportionment to be able to calculate gains or losses

When a person calculates their gains/losses from the disposal of tokens, not all costs are allowable as a deduction.

Section 38 of the Taxation of Chargeable Gains Act (TCGA) 1992 provides for the types of costs which can be deducted. HMRC's view is that these include:

Any costs deducted against profits for Income Tax, see CG10260, are not allowable as a deduction for Capital Gains Tax.

Exchange Fees

It is common for people to use an exchange to perform transactions, as explained at CRYPTO10250. Some fees charged by exchanges are allowable, but not all of them. Below is a list of common fees charged by exchanges and whether they satisfy section 38 TCGA 1992:

Situation in which an exchange fee may be incurred	Treatment of fee for section 38 TCGA 1992
Exchange (swap) sterling for a fiat currency other than sterling	Section 38(1)(a) - allowable as a cost of acquiring the fiat currency other than sterling
Exchange (swap) fiat currency other than sterling for sterling	Section 38(1)(c) - allowable as an incidental cost of disposing of the fiat currency other than sterling
Deposit sterling with an exchange	Sterling isn't an asset for CGT purposes so not an allowable cost
Deposit fiat currency other than sterling with an exchange	The depositor retains beneficial ownership of the fiat currency other than sterling so there's no acquisition or disposal that the costs can be attributed to
Use sterling to purchase tokens	Section 38(1)(a) - allowable as a cost of acquiring the tokens
Use fiat currency other than sterling to purchase tokens	Section 38(1)(a) - allowable as a cost of acquiring the tokens
Exchange (swap) token A for token B	See below
Dispose of tokens for sterling	Section 38(1)(c) - allowable as an incidental cost of disposing of the tokens
Dispose of tokens for fiat currency other than sterling	Section 38(1)(c) - allowable as an incidental cost of disposing of the tokens
Withdraw sterling from the exchange	Sterling isn't an asset for CGT purposes so not an allowable cost
Withdraw fiat currency other than sterling from the exchange	The withdrawer retains beneficial ownership of the fiat currency other than sterling so there's no acquisition or disposal that the costs can be attributed to

Exchange (swap) token A for token B: the fee paid is in relation to the whole of the transaction, that is for a disposal of one asset and the acquisition of another asset. This means that the fee is attributable to both assets. HMRC’s view is that this fee would be allowable as a deduction in computing the disposal in respect of token A under section 38(1)(c), and that it would be allowable as a deduction in computing the eventual disposal of token B under section 38(1)(a). TCGA92/S52(1) makes it clear that a sum may be allowed as a deduction only once in computing a disposal.

Where an allowable cost relates to more than one asset, the cost should be apportioned between those assets on a just and reasonable basis (TCGA92/S52(4)). You can accept that apportioning this type of fee equally between the assets disposed of and the assets acquired (that is a 50/50 split) is just and reasonable in these circumstances. If the customer chooses to apply a different approach, then this can be considered on a case by case basis.

Mining

Costs for mining activities (for example equipment and electricity) do not count toward allowable costs in respect of tokens because they’re not wholly and exclusively to acquire the tokens, and so cannot satisfy the requirements of section 38(1)(a) TCGA 1992. It may be possible to deduct some of these costs against profits for Income Tax purposes. The costs incurred to acquire equipment used for mining may be allowable as a deduction in a disposal of that equipment subject to relevant provisions such as the chattels exemption and the wasting assets exemption.

If the mining amounts to a trade for tax purposes the tokens will initially form part of trading stock. If these tokens are transferred out of trading stock, the business will be treated as if they bought them at the value used in trading accounts. Businesses should use this value as an allowable cost in calculations when they dispose of the tokens. More information can be found in CG69220.

Pooling under TCGA92/S104 allows for simpler Capital Gains Tax calculations. Pooling applies to shares and securities of companies and also ‘any other assets where they are of a nature to be dealt in without identifying the particular assets disposed of or acquired’.

all the tokens acquired shall be treated as acquired in a single transaction all the tokens disposed of shall be treated as disposed of in a single transaction

Where the nature of the tokens means they are dealt in without identifying the particular tokens being disposed of or acquired then the tokens should be pooled as per TCGA92/S104(3)(ii) (CG11820). This is commonly referred to as a ‘section 104 pool’. If TCGA92/S104(3)(ii) applies then the beneficial owner of the tokens will have a single pooled asset for Capital Gains Tax purposes that will increase or decrease with each acquisition, part disposal or disposal.

Non-Fungible Tokens (NFTs) are separately identifiable and so are not pooled.

Each type of token will need its own pool. For example, if a person owns bitcoin, ether and litecoin they would have three pools and each one would have its own ‘pooled allowable cost’ associated with it. This pooled allowable cost changes as more tokens of that particular type are acquired and disposed of.

Individuals must still keep a record of the amount spent on each type of token, as well as the pooled allowable cost of each pool.

Same day rule

TCGA1992/S105 Where an individual makes acquisitions and disposals of a particular type of tokens on the same day then the same day rules ensure that the maximum number of CGT computations the individual will need to produce for that token type is one per calendar day.

When tokens of the same type are acquired and disposed of by the same individual on the same day and in the same capacity then:

The tokens acquired will, as far as possible, be matched with the tokens disposed of so that those tokens don’t go into the section 104 pool:

• if the quantity of tokens acquired exceeds the number disposed of then the excess

tokens will then be considered for the 30 day rule (covered below) and if that doesn’t apply then they will go into the section 104 pool

• if the quantity of tokens disposed of exceeds the number acquired then the excess

tokens will then be considered for the 30 day rule (covered below) and if that doesn’t apply then they will be treated as a disposal from the section 104 pool.

the same day rule (covered above) is applied first if applicable the tokens acquired to which the 30 day rule applies don’t go into the section 104 pool but instead are matched to the earlier disposal (or disposals) of tokens the tokens acquired to which the 30 day rule applies are matched to disposals on the basis of earliest disposal first if the quantity of tokens so acquired exceeds the number of tokens disposed of in the preceding 30 days then the excess tokens will go into the section 104 pool.

Acquiring tokens within 30 days of selling

TCGA1992/S106A

If an individual disposes of tokens and then acquires, in the same capacity, tokens of the same type within the next 30 days then:

Further guidance on these rules is at CG51560.

Consideration equal to the MV of the token given as a fee Allowable cost equal to the MV of the token given as a fee Allowable cost using same day rule, 30 day rule or S104 pool as appropriate

Most cryptoasset transactions require the person disposing of the tokens to pay a fee. This fee will often be satisfied in tokens. If the transaction fee is satisfied in tokens then you need to consider that fee as one of the costs for the disposal of the tokens, but you also need to consider the fee as a disposal in its own right.

The fee is given as consideration for a service – normally the exchange matching orders and/or inclusion of the transaction in the distributed ledger (although this is by no means the only services that the fees are given for). TCGA92/S17(1)(b) says that market value is to be used where an asset is disposed of wholly or partly in consideration for “any other service rendered or to be rendered by him or another”. As such the token(s) given as a fee is disposed of for its market value and the allowable cost is established in the normal way (i.e. same day rule, 30 day rule or appropriate part of the TCGA92/S104 pooled allowable expenditure as appropriate).

It’s also the case that the fee is given for a service that is used for the acquisition or disposal of tokens. The price of the service is what’s given i.e. the market value of the token. So the strict position is that where a token is paid as a fee then the relevant CG computation will include the following:

Below is an example to set out how this will look for CG purposes. Example Terri holds 10,000 tokens that she acquired for total cost of £20,000. Terri decides to sell 1,000 of the tokens for £5,000. The transaction requires that she pays a fee of 0.1% of what she is selling, i.e. 1 token. Terri's S104 pool before the disposal is:

Date Tokens Pooled cost

B/f 10,000 £20,000

The CG computation of the two disposals would be as follows 1,000 tokens for £5,000

Consideration £5,000

Less Allowable costs S104 – 1,000 / 10,000 x £20,000 (£2,000)

Fee – 1 token with MV of £5 (£5)

£2,995 Gain

1 token given as the fee

Consideration MV of service received £5

£3Gain

Less Allowable costs S104 – 1/10,000 x £20,000 (£2)

However the disposal of the 1,000 tokens and the disposal of the 1 token fee take place on the same day and involve the same type of token. That means that the same day rule applies and all the tokens disposed of shall be treated as disposed of in a single transaction (see CRYPTO22200).

The CG computation should therefore look as follows:

Practical considerations

It is necessary for the customer to use the approach of producing two CG computations where the token disposed of and the token(s) given as the fee are different types of token. This may happen where the person has used an exchange which allows the use of its own token to satisfy transaction fees. You may come across cases where the disponor has excluded the market value of the fee from the consideration and the allowable costs.

In that situation the CG computation would look something this:

Consideration £5,005

Less Allowable costs S104 – 1,001 / 10,000 x £20,000 (£2,002)

MV of fee (£5)

£2,998 Gain

Consideration £5,000

£2,998 Gain

Less Allowable costs S104 – 1,001 / 10,000 x £20,000 (£2,002)

In strictness this approach is wrong. But as long as only the allowable cost of the fee is included in the computation so that the gain or loss computed is correct then you can accept the customer's computations if they use this approach.

Some cryptoassets are not controlled by a central body or person but operate by consensus amongst that cryptoasset's community. When a significant minority of the community want to do something different, they may create a 'fork' in the distributed ledger.

There are two types of forks, a soft fork and a hard fork. A soft fork updates the protocol and is intended to be adopted by all. No new tokens, or distributed ledger, are expected to be created. A hard fork is different and can result in new tokens coming into existence. Before the fork occurs there is a single distributed ledger. Usually, at the point of the hard fork a second branch (and therefore a new cryptoasset) is created. The distributed ledger for the original and the new cryptoassets have a shared history up to the fork. If an individual held tokens of the cryptoasset on the original distributed ledger they will, usually, hold an equal numbers of tokens on both distributed ledgers after the fork.

The value of the new tokens is derived from the original tokens already held by the individual. This means that section 43 Taxation of Capital Gains Act (TCGA) 1992 will apply.

After the fork the new tokens need to go into their own section 104 pool. Any allowable costs in the section 104 pool of the original cryptoassets are split between the two section 104 pools for the original tokens and the new tokens.

If an individual holds their tokens through an exchange, the exchange will make a choice whether to recognise the new tokens created by the fork.

Costs must be split on a just and reasonable basis under section 52(4) TCGA 1992. HMRC does not prescribe any particular apportionment method. HMRC has the power to enquire into an apportionment method that it believes is not just and reasonable.

The new tokens can only be disposed of if the exchange recognises the new tokens. If the exchange chooses not to recognise the new tokens then the individual may seek to apportion all of the allowable costs to the original tokens. You will need to decide whether this is just and reasonable in the circumstances. The individual may instead apportion the costs but seek to make a negligible value claim in respect of the new tokens. You will need to consider whether the conditions for making a negligible value claim have all been satisfied. In cases of difficulty you should seek technical advice using the process for your business area.

An airdrop is when an individual receives an allocation of tokens. For example, tokens that are given as part of a marketing or advertising campaign.

The cryptoasset using the airdrop typically has its own infrastructure (which may include a smart contract, blockchain or other form of distributed ledger technology) that operates independently of the infrastructure for an existing cryptoasset.

The airdropped tokens will need to go into their own section 104 pool unless the recipient already holds tokens of that cryptoasset, in which case the airdropped tokens will go into the existing section 104 pool. The value of the airdropped cryptoasset does not derive from existing tokens held by the individual, so section 43 TCGA 1992 does not apply.

If an individual misplaces their private key (for example throwing away the piece of paper it is printed on), they will not be able to access their tokens. The private key still exists as part of the cryptography, albeit it is not known to the owner any more.

Similarly the tokens will still exist in the distributed ledger. This means that misplacing the key does not count as a disposal for Capital Gains Tax purposes. More information can be found in CG13155.

If it can be shown there is no prospect of recovering the private key or accessing the tokens, a negligible value claim could be made. If HMRC accepts the negligible value claim, the individual will be treated as having disposed of and re-acquiring the tokens they cannot access so that they can crystallise a loss. Further guidance on negligible value claims is at CRYPTO22500.

HMRC does not consider theft to be a disposal, as the individual still owns the stolen asset and has a right to recover it. This means victims of theft cannot claim a loss for Capital Gains Tax.

Individuals who contract to acquire tokens but then do not receive the tokens they have paid for may not be able to claim a capital loss.

Individuals who contract to acquire tokens and do actually receive tokens, may be able to make a negligible value claim to HMRC if those tokens become worthless. If the tokens are worthless when acquired then a negligible value claim won't be allowed. This won't affect the ability of the individual to dispose of the tokens by other means to crystallise the capital loss.

More information can be found in CG13155.

amount the asset should be treated as disposed of (which may be £nil) date that the asset should be treated as being disposed of and immediately reacquired

As with other types of assets, individuals can crystallise losses for tokens that they still own if they become worthless or of 'negligible value' while owned.

A negligible value claim treats the tokens as being disposed of and immediately re-acquired at an amount stated in the claim. As tokens are pooled, the negligible value claim needs to be made in respect of the whole section 104 pool, not the individual tokens.

The negligible value claim will need to state the:

- asset which is the subject of the claim

The disposal produces a loss that needs to be reported to HMRC. Negligible value claims can be made to HMRC at the same time as reporting the loss. More information about negligible value claims can be found in CG13120P.

HMRC does not consider cryptoassets to be currency or money. This reflects the position previously set out by the Cryptoasset Taskforce report (CATF).

This means that sections 252 and 269 Taxation of Chargeable Gains Act 1992 do not apply.

UK resident and non-domiciled individuals when computing their Capital Gains Tax (CGT) and Inheritance Tax (IHT) liabilities those considering if the Requirement To Correct (RTC) and offshore penalty regime may apply – further guidance is available at Tell HMRC about your offshore income and assets.

Cryptoassets are digital in nature, meaning that they do not have a physical location. It is still necessary to determine their location (often referred to as 'situs') for tax purposes. This is particularly relevant for:

When considering the location (or situs) of an asset, the first thing to consider is whether there is any statute (whether for tax purposes or general purposes) that specifies the location. For CGT purposes, the Taxation of Chargeable Gains Act (TCGA) 1992 provides a number of statutory location rules in sections 275 (location of assets) and 275A (location of certain intangible assets), supplemented by 275B.

For IHT purposes there are no statutory rules, determining the location instead relies on general principles applicable to private property.

Underlying Asset

Section 275 TCGA 1992 provides an exhaustive list of the different types of assets for the purposes of CGT. Where the cryptoasset is simply a digital representation of an underlying asset then the location of the underlying asset will determine the location of the cryptoasset.

Example ABC Ltd buys and sells gold bullion on behalf of clients. ABC Ltd issues the GoldABC Coin where each token represents the beneficial interest in one gold bar. The GoldABC Coin is a digital representation of a physical asset – the gold bar – and we ‘look through’ the GoldABC Coin and establish the location of the GoldABC Coin by reference to the underlying asset, being gold bar.

It is possible for a cryptoasset to be a digital representation of another intangible asset, such as share capital or debt, and the relevant rule for determining the location of the underlying asset would determine the location of the cryptoasset.

exchange tokens have an economic value as they can be ‘turned to account’ - for example, exchanging them for goods, services, fiat currency or other tokens; exchange tokens are a new type of intangible asset (different to other types of intangible assets, such as shares or debentures); and the only identifiable party to consider is the beneficial owner of the exchange token,

No Underlying Asset

Where the cryptoasset is an asset distinct from any underlying asset then HMRC’s view is that none of the statutory rules in the TCGA 1992 apply. Instead it is HMRC’s view that:

such that the location of the cryptoasset will be determined by the residency of the beneficial owner.

Using the residency of the beneficial owner of the exchange tokens to determine the location gives a clear, logical, predictable and objective rule which can be easily applied. This means that a person who holds exchanges tokens is liable to pay UK tax if they are a UK resident (as determined by the Statutory Residence Test, see RDRM11000) and carry out a transaction with their tokens which is subject to UK tax.

If an exchange token is co-owned between two or more beneficial owners, then section 275C Taxation of Chargeable Gains Act 1992 applies (for Capital Gains Tax). Each beneficial owner’s interest in the asset will be where that beneficial owner is resident. If one or more of the co-owners are UK resident, this will not affect the location for those co-owners who are not UK residents.

For Inheritance Tax, common law is relevant to the extent that Double Taxation Agreements do not determine the location (section 158 of the Inheritance Tax Act 1984). Where the location of cryptoassets are being considered please make a referral by following the process at CRYPTO100500.

Many cryptoassets (such as bitcoin) are traded on exchanges which do not use pound sterling, so the value of any gain or loss must be converted into pound sterling on the Self-Assessment tax return.

If the transaction does not have a pound sterling value (for example if bitcoin is exchanged for ripple) an appropriate exchange rate must be established in order to convert the transaction to pound sterling.

Reasonable care should be taken to arrive at an appropriate valuation for the transaction using a consistent methodology. Details of the valuation methodology should be kept.

HMRC users of this manual should liaise with Shares Assets and Valuation (SAV) where assistance is required in agreeing a value for tax purposes.

Stamp Duty and Stamp Duty Reserve Tax

Stamp Duty is charged on instruments that transfer stocks or marketable securities, and interests in partnerships if the partnership assets include stocks or marketable securities.

Stamp Duty Reserve Tax (SDRT) is a related tax and is charged on agreements to transfer chargeable securities.

More information about Stamp Duty and SDRT is in the Stamp Taxes on Shares Manual.

Transfer of exchange tokens

For the transfers of exchange tokens to fall within the scope of Stamp Duty or SDRT, they would need to meet the definition of ‘stock or marketable securities’ or ‘chargeable securities’ respectively.

This will be considered on a case-by-case basis, dependent on the characteristics and nature of the cryptoasset, rather than any labels attached to them.

However, as of the original date of publication of this paper, HMRC’s view is that existing exchange tokens would not be likely to meet the definition of ‘stock or marketable securities’ or ‘chargeable securities’.

Exchange tokens given as consideration

Exchange tokens could be given as consideration for purchases of ‘stock or marketable securities’ and/or ‘chargeable securities’.

For Stamp Duty, chargeable consideration is ‘money’, ‘stock or marketable securities’ or ‘debt’. For SDRT it is defined as ‘money or money’s worth’.

SDLT does not apply if the land or building(s) acquired is/are located in Scotland or Wales: You pay Land and Buildings Transaction Tax if you purchase land in Scotland on or after 1 April 2015 You pay Land Transaction Tax if you purchase land in Wales on or after 1 April 2018

If exchange tokens are given as consideration, this would count as ‘money’s worth’ and so be chargeable for SDRT purposes. Tax will be due based on the pound sterling value of the exchange tokens at the relevant date.

HMRC does not consider exchange tokens to be currency or money, so they do not meet the definition of ‘money’ for Stamp Duty consideration purposes. They will also generally not count as ‘stock or marketable securities’.

Broadly, ‘debt’ counts as chargeable consideration for Stamp Duty in the following scenarios:

• release of a debt – The seller has an outstanding debt to the purchaser (which could be in the form of exchange tokens). The seller transfers shares to the purchaser, and in consideration the purchaser releases the seller from the debt.

• debt is assumed – A third party has an outstanding debt to the purchaser (which could be in the form of exchange tokens). The seller transfers shares to the purchaser, and in consideration the seller is assigned the right to the debt from the third party.

Stamp Duty Land Tax

Stamp Duty Land Tax (SDLT) is paid on the acquisition of land and buildings over a certain price in England and Northern Ireland. More information on SDLT is available in the Stamp Duty Land Tax Manual.

Transfer of exchange tokens

HMRC does not consider transfers of exchange tokens to be land transactions. This means that SDLT will not be payable on such transfers.

Exchange tokens given as consideration

Chargeable consideration for the purposes of SDLT comprises anything given for the transaction that is ‘money or money’s worth’. As a general rule, any non-monetary consideration should be valued at its market value on the effective date of the transaction.

Accordingly, if exchange tokens are given as consideration for a land transaction, these would fall within the definition of ‘money or money’s worth’ and so be chargeable to SDLT.

Registered pension schemes (RPS)

HMRC does not consider cryptoassets to be currency or money, so they cannot be used to pay a tax relievable pension contribution to an RPS. For more information on RPS contributions see PTM041000.

If cryptoassets are nevertheless effectively put into an RPS (albeit without tax advantage), the consequence is that they become part of the scheme which is subject to the RPS tax rules.

More information on the RPS tax rules can be found in the Pensions Tax Manual.

buying and selling exchange tokens exchanging tokens for other assets (including other types of cryptoassets) ‘mining’ providing goods or services in return for exchange tokens

Capital Gains Tax (CGT)

Corporation Tax (CT)

Corporation Tax on Chargeable Gains (CTCG)

Income Tax (IT)

National Insurance Contributions

Stamp Taxes

VAT

If a company or business is carrying out activities which involve exchange tokens, they are liable to pay tax on them. Such activities include:

The type of tax will depend on who is involved in the business and the activities it carries out (including whether these activities count as a trade). It is likely they will be liable to pay one or more of the following:

self-assessment tax return (for individuals); or company tax return (for companies).

The amount of tax a business must pay will depend on its income, expenditure, profits and gains. These must be declared annually to HMRC on either a:

HMRC will consider each case on the basis of its own facts and circumstances. It will apply the relevant legislation and case law to determine the correct tax treatment (including where relevant, the contractual terms regulating the exchange tokens).