# CRYPTOASSETS UNCOVERED

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

# What are cryptoassets? EXCHANGE TOKENS

Method of payment

Includes cryptocurrencies e.g. bitcoin



#### UTILITY TOKENS

Provides holder with access to particular goods or services



### SECURITY TOKENS

Provides rights such as ownership, repayment of a sum of money, or entitlement to future profits



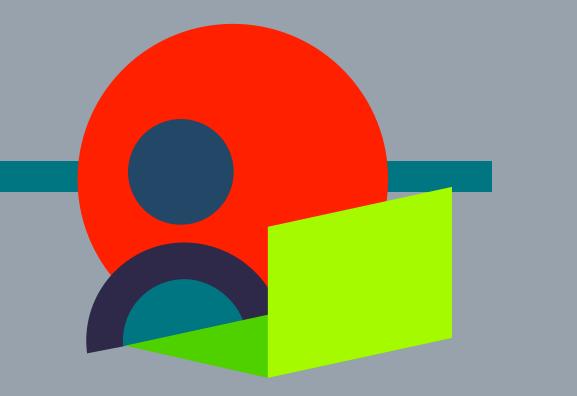
# What taxes apply?

HMRC DOES NOT CONSIDER THE BUYING AND SELLING OF CRYPTOASSETS

TO BE THE SAME AS GAMBLING

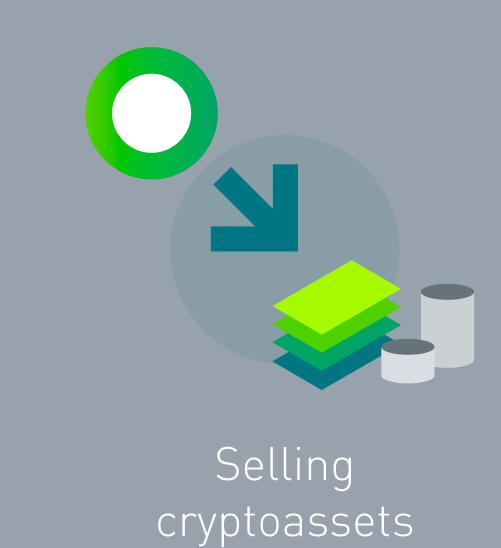
#### CAPITAL GAINS TAX

Applicable to individuals buying and selling cryptoassets for personal investment. Capital Gains Tax paid on any gains from disposal. Individuals must calculate gains or losses on disposal.

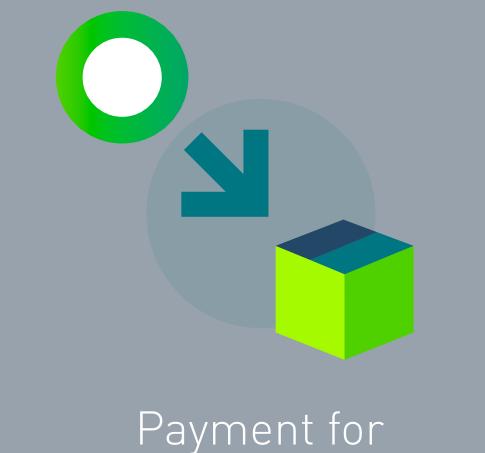


## -What constitutes a 'disposal'?-

A transfer of the beneficial ownership to another person, commonly by:







goods or services





Victoria sells

for **£300,000** 

50 token A

£300,000

#### Allowable costs

Costs that can be deducted when calculating

- Amount paid for the asset (or the market value
- Transaction fees
- Advertising
- Costs to draw up a contract
- Costs of making a valuation

Example

#### POOLING

Allows for simpler Capital Gains Tax calculations

Instead of tracking the gain or loss for each transaction individually, each type of cryptoasset is kept in a pool.

#### INCOMETAX

Applicable if cryptoasset activities amount to trading, similar to a trade in shares, securities and other financial products.



### What constitutes a trade? -

#### Financial trading in cryptoassets

Mining and fees from mining

Where they are not part of a trade they will be

Victoria will be allowed to deduct a proportion of the pooled

allowable costs when working out her gain:

Taxable amount

Total allowable costs

£84,000

chargeable as miscellaneous income

normal trading rules

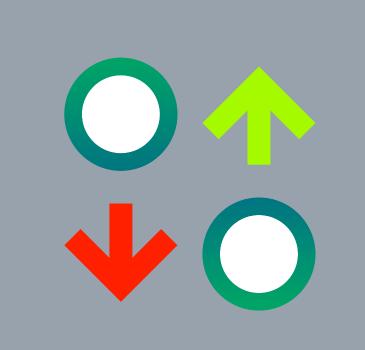
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Where cryptoassets are awarded for either verifying

additions to blockchain or from the fees from mining

These are liable for Income Tax [or Corporation Tax]

when received as part of a trade and will follow the



## Airdrops

- If you are provided tokens from an airdrop as a result of a trading transaction this is income received as part of that trade and will follow normal trading rules
- Airdrops provided in return for goods or services **are** subject to Income Tax
- If not provided for goods or services then it is not subject to Income Tax on receipt
- Subsequent disposals chargeable to Capital Gains Tax

#### Income Tax losses

- Losses from a trade can be carried forward and used to reduce future taxable profits of the same trade
- Depending on how commercially the trade is carried on, losses from some trades may also be available to set against other income or gains

Victoria buys

100 token A

for **£1,000** 

Victoria buys

50 token A

for **£125,000** 

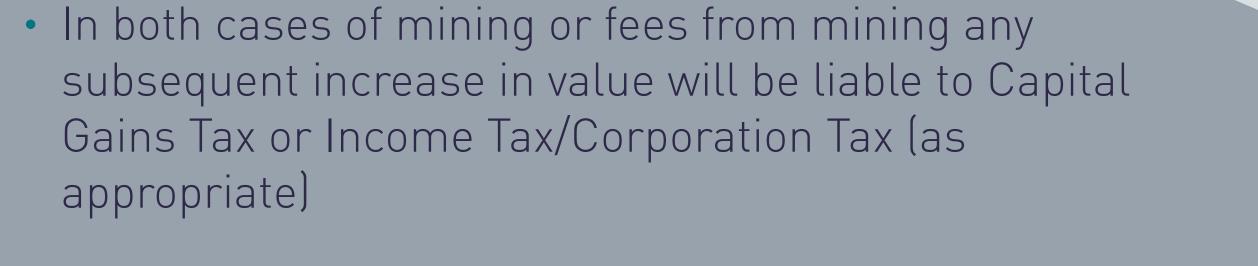
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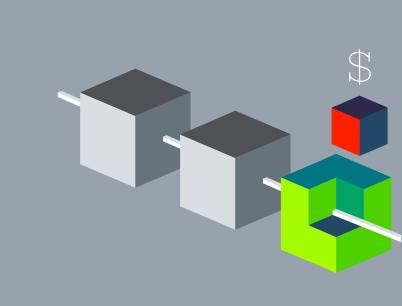
Total allowable costs

£126,000

gains or losses

- of the tokens you gave if applicable)





## If Victoria then Victoria could deduct all £84,000 sold all 100 of her of allowable costs when working out her gain: remaining token A Gains from disposal £126,000 x (100/150) £84,000 Less allowable costs £258,000 Taxable amount £? - unknown future amount



