

## HMRC and cryptoassets

‘Cryptocurrency’ has been around for a while now, for example Bitcoin and Ethereum. The word means hidden or secret money – a type of electronic cash.

Cryptocurrencies are not regulated, and they are high risk. With a recent steep rise in cryptocurrency losses leading to personal bankruptcy, caution is advised. They exist electronically with no central agency to manage the system or to protect funds if they are stolen. This is why the banks and government now refer to them as ‘cryptoassets’ or ‘cryptoasset exchange tokens’, rather than a type of currency.

Although these cryptoassets have a reputation for avoiding scrutiny, HMRC has more information than you might expect:

- HMRC receives, and can request, information from various crypto exchanges, with these powers extending to exchanges outside of the UK.
- The government has the ability to track cryptoasset transactions, with this data then compiled into a single database.

HMRC is now contacting taxpayers who they believe hold cryptoassets, advising them of the potential capital gains tax (CGT) implications. Many will be unaware that simply exchanging one type of token for another is a disposal for CGT purposes. It is estimated that more than two million people in the UK hold cryptoassets, so it’s

no surprise that HMRC is concerned about lost tax revenue.

Although certain transactions will be taxed as income, most are subject to CGT; HMRC is quite adamant that buying and selling cryptoassets is not akin to gambling for tax purposes.

There is a CGT disposal if you:

- sell tokens (even if the proceeds are not withdrawn from the exchange)
- exchange one type of token for a different type of token
- use tokens to pay for goods or services; or
- make a gift of your tokens to another person (unless it’s to your spouse or civil partner).



If you receive cryptoassets from employment or mining, it’s classed as income. You need to keep records and may need to pay Income Tax and National Insurance contributions, and also complete a Self Assessment tax return in pound sterling.

We recommend that you check the guidance on gov.uk if you have any cryptoassets, in order to remain compliant.

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