



HMRC issue Capital Gains Tax letters to those who have had Crypto Assets

HM Revenue and Customs have recently begun sending notices to individuals such as the one included that they believe have, or may have had crypto assets on which they potential need to pay Capital Gains Tax ("CGT") if there has been a disposal.

HMRC has advised ICAEW that, although the letters are not being sent out to non-UK domiciled individuals, this is not an indication that its views on the situs tests for cryptoassets has changed. In its cryptoassets manual at CRYPTO22600, HMRC considers the situs of a cryptoasset for capital gains tax (CGT) and inheritance tax (IHT) and conclude that a UK resident individual will always need to pay tax on the disposal of such assets if they are the beneficial owner, regardless of their place of domicile.

HMRC have also publicly stated that they have issued special information notices to eToro and Coinbase and these exchanges are now obliged to give HMRC details of anyone who has received £5,000 or more from these platforms. It is unknown if HMRC have also issued similar notice to other exchanges such as Binance and Crypto.com but further information gathering by HMRC in this field would be expected.

Currently, an individual can make gains of up to £12,300 in each tax year without having to pay CGT. If gains exceeded this, the balance in excess of £12,300 will be taxed at 10% and/or 20% depending on your income tax position for the year.

A disposal occurs when an individual:

1. Sells crypto assets for fiat currency
2. Exchanges one crypto asset for another. This includes when a cryptocurrency has been "wrapped". You must pay CGT on these gains even if you have not converted your crypto assets back into fiat currency.
3. Use crypto assets to buy goods or services.

There are special rules for calculating a gain on crypto assets if an individual has purchased the same cryptocurrency on the same date or within 30 days of the disposal. These are known as the bed and breakfasting rules.

If you believe your gains may have exceeded £12,300 between 6 April 2020 & 5 April 2021, tax would be payable by 31 January 2022 and if your gains will exceed this threshold in the year to 5 April 2022, any tax would be payable by 31 January 2023. You would need to record any such gains on a Tax Return

The tax team at Burgess Hodgson would be happy to help you prepare your Tax Return, calculate your gains/losses and any tax payable. If you do require assistance, please contact: info@burgesshodgson.co.uk