

Cryptocurrency Tax in the UK



Welcome to our comprehensive tax guide on cryptocurrency! In this guide, we'll explain cryptocurrency taxation so that you can get clarity on how to handle taxes related to buying, selling, and trading cryptocurrencies in the United Kingdom.

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About GoForma

Since 2019, GoForma has been providing support for UK individuals and companies with their tax, filing and accounting needs.

We provide a highly personalised service with access to a dedicated accountant, industry specialists and bespoke software designed to reduce your admin and optimise your tax.

[Learn more](#)

Part 1

Crypto taxes in the UK

- How crypto is taxed in the UK
- Capital gains tax
- Income tax
- Crypto tax rates

Introduction

Cryptocurrency has rapidly gained popularity as a digital asset class, offering individuals and businesses a decentralised and secure means of transacting.

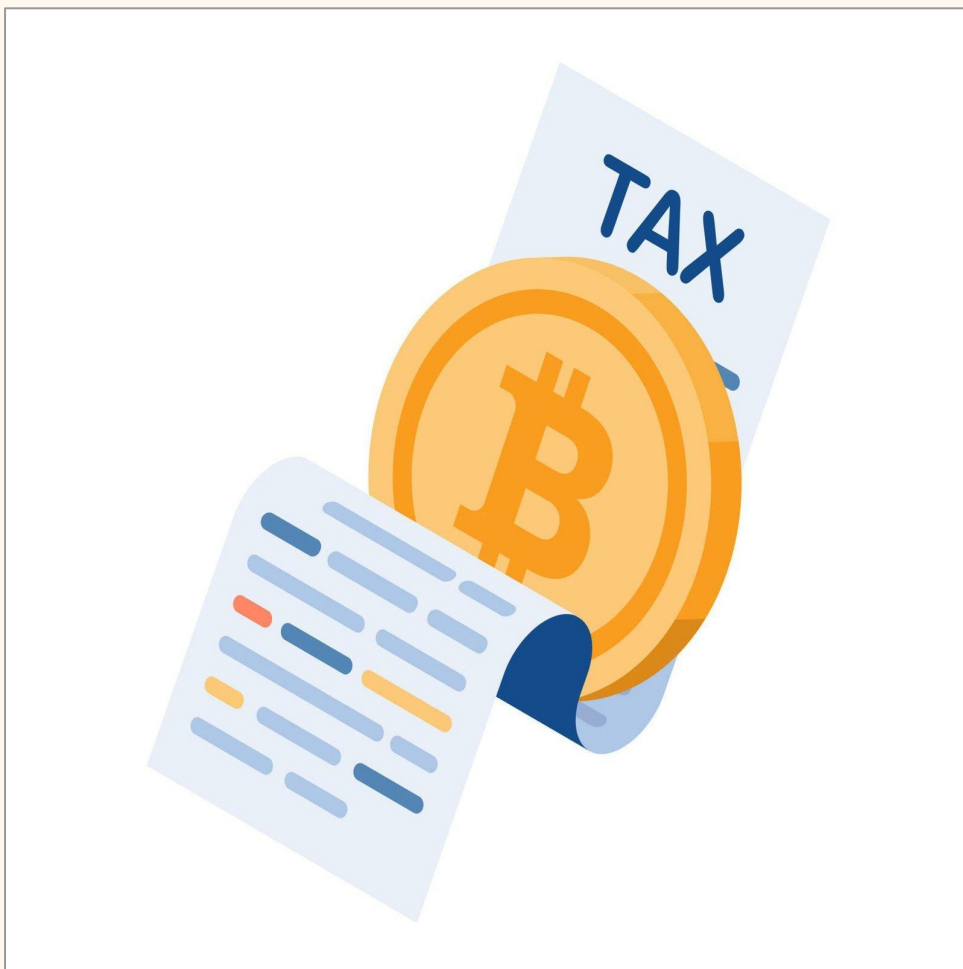
However, with the rise in cryptocurrency transactions comes the need for clarity on how these assets are taxed.

We hope this guide will help you to understand fundamental principles of cryptocurrency taxation to fulfill your tax obligations effectively.



How are cryptocurrencies taxed?

In the UK, cryptocurrency is treated as intangible property rather than currency for tax purposes. This means that any gains made from buying and selling cryptocurrency are subject to capital gains tax (CGT). CGT is a tax on the profit when you sell or dispose of an asset that has increased in value.



Capital Gains Tax

When you dispose of cryptocurrency, you may incur a capital gain or loss. If the disposal results in a gain, it may be subject to CGT.

Disposals include:

- Selling cryptocurrency for fiat
- Exchanging it for another asset
- Using cryptocurrencies to purchase goods and services
- Transferring crypto assets as gifts or donations to others.

Income Tax

Typically, income from cryptocurrencies is subject to income tax.

Transactions subject to income tax:

- Salary or Wages Paid in Cryptocurrency
- Mining Cryptocurrency
- Interest and Staking Rewards

What are the cryptocurrency tax rates in the UK?

In 2024/25 tax year, Capital Gains tax-free allowance is £3,000 and capital gain income above this amount is subject to below tax rate:

Asset Type	Basic Rate	Higher Rate
Crypto Assets	10%	20%

Example:

If you earn £30,000 in income and have £15,000 of cryptocurrency capital gain, after subtracting your allowance £3,000 and paying 10% tax on the remaining capital gain of £12,000.

Part 2

Calculating cryptocurrency capital gains

- Capital gains tax calculation
- Automatic capital gains calculations with Koinly

Method to calculate cryptocurrency capital gains

Calculating cryptocurrency capital gains involves determining the profit or loss realised from the disposal or exchange of cryptocurrencies. Here's how to calculate cryptocurrency capital gains:

1. Determine Disposal Proceeds: Start by calculating the proceeds from the disposal of the cryptocurrency. This includes the amount received in fiat currency or other cryptocurrencies when selling, exchanging, or disposing of the cryptocurrency. If you received other assets or goods in exchange for the cryptocurrency, their fair market value in pounds sterling should be considered.

2. Calculate Acquisition Cost: Determine the cost of acquiring the cryptocurrency, also known as the "base cost." This includes the purchase price of the cryptocurrency, any transaction fees, and associated costs incurred at the time of acquisition. If you received the cryptocurrency as a gift, inheritance, or through mining, its market value at the time of acquisition should be considered.

3. Calculate Capital Gain or Loss: Subtract the acquisition cost from the disposal proceeds to calculate the capital gain or loss. If the disposal proceeds exceed the acquisition cost, you've realised a capital gain. If the acquisition cost exceeds the disposal proceeds, you've realised a capital loss.

Capital Gains/ Loss Calculation

Capital Gain= Disposal Proceeds - Acquisition Cost

Example 1: Capital gain

You sell 100 crypto coins and receive £15,500. The 100 coins were originally purchased for £3,000.

$$£15,500 - £3,000 = £12,500 \text{ (Capital Gain)}$$

Example 2: Capital loss

You sell 100 crypto coins and receive £5,000. The 100 coins were originally purchased for £10,000.

$$£5,000 - £10,000 = -£5,000 \text{ (Capital Loss)}$$

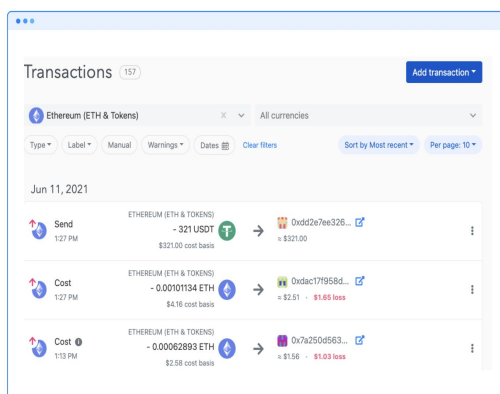
Koinly

Automatically calculating capital gains with Koinly

Using crypto tax software like [Koinly](#) can simplify this process. Sync your crypto wallets with Koinly, and it will handle the calculations for you using the shared pooled accounting method.

With Koinly you automatically get cryptocurrency capital gains calculations across:

- 23,000+ cryptocurrencies
- 400+ exchanges
- 100+ wallet providers



**Get a crypto self
assessment with
GoForma and Koinly
for only £189 + VAT**

Sign up

Part 3

Claiming losses, expenses, VAT and reducing your tax

- Tax on cryptocurrency losses
- Claiming losses on worthless assets or lost keys
- Ways to legally reduce your crypto tax
- Tax deductible expenses
- VAT on crypto
- Tax free cryptocurrency transactions

Tax on Cryptocurrency Losses

Cryptocurrency losses can be utilised to offset capital gains and reduce your overall tax bill:

- **Offsetting Capital Gains:** When you incur a loss from selling or disposing of cryptocurrency, you can use that loss to offset any capital gains you've realised in the same tax year.
- **Carry Forward of Losses:** If your total capital losses exceed your capital gains in a tax year, you can carry forward the unused portion of the losses to future tax years.

Claiming losses on Worthless assets/Lost keys

HMRC defines a crypto asset as "worthless" when it has become of negligible or nil value.

Crypto-asset becomes worthless if the cryptocurrency becomes defunct, the issuing company goes out of business, or the cryptocurrency loses all value due to market factors or technological obsolescence.

In case you lose your private keys, you can claim a negligible value claim for the same.

Information required for negligible value claim:

- Type of the Crypto Asset
- The amount at which the asset should be treated as disposed of (typically £0)
- Date of Disposal
- Reason for Loss

Ways to Legally Reduce Your Crypto Taxes

Reducing your cryptocurrency taxes legally involves proactive tax planning and compliance with HMRC regulations. Here are several strategies to consider:

- Utilise Tax-Efficient Accounts such as Individual Savings Accounts (ISAs) or Self-Invested Personal Pensions (SIPPs)
- Offset capital gains from cryptocurrency transactions with capital losses from other investments or assets
- Take advantage of tax allowances and reliefs provided by HMRC. For example, individuals have an annual CGT allowance (£3,000 for the tax year 2024/25) that can be utilised to realise tax-free gains
- Consider donating cryptocurrency holdings to registered charities or qualifying community amateur sports clubs (CASCs)

Seek professional advice from a qualified [crypto accountant](#) to ensure compliance with HMRC guidelines and maximise your tax efficiency.

Tax-Deductible Expenses for Crypto Traders

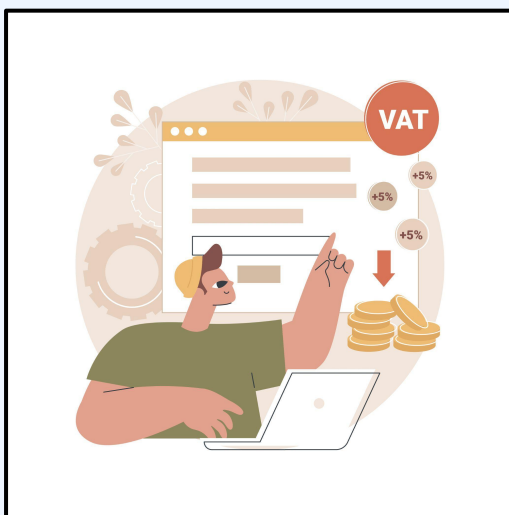
- Payment for assets in sterling pound
- Transaction fees
- Professional costs to draw up a contract for the acquisition or disposal of the tokens
- Professional Advisory Fees
- Expenses incurred in the mining process, such as electricity bills, equipment costs, and maintenance.



VAT on Cryptocurrency

The buying and selling of cryptocurrencies themselves are generally exempt from Value Added Tax (VAT). This means that when you purchase or sell cryptocurrencies such as Bitcoin, Ethereum, or other digital assets, you typically do not need to pay VAT on the transaction.

However, it's essential to note that VAT may still be applicable to certain goods or services purchased using cryptocurrencies. For example, if you use cryptocurrency to purchase goods or services that are subject to VAT, such as electronics, clothing, or digital services, VAT would apply to the transaction in the same way as if you were paying with traditional currency. In such cases, the VAT would be calculated based on the value of the goods or services at the prevailing VAT rate.



What are tax-free cryptocurrency transactions?

In the UK, certain cryptocurrency transactions may be considered tax-free under specific circumstances. Here's a breakdown of transactions that may not attract capital gains tax (CGT):

- Buying crypto with GBP
- Holding crypto
- Transferring crypto between your own wallets
- Donating crypto to charity
- Gifting crypto to your spouse

What Records Do I Need to Keep?

- Type of tokens
- Transaction Details
- Date of crypto disposal
- Purchase and Sale Receipts
- Number of tokens disposed and left
- Value of your crypto assets in pound sterling
- Wallet Addresses and bank statement
- Pooled cost record for before and after disposal

Same Day Rule

The "Same Day Rule" is designed to prevent individuals from artificially creating or enhancing capital losses for tax purposes by selling and repurchasing the same shares or securities within a short period, typically on the same day.

Under the Same Day Rule, if an individual acquires and disposes of the same cryptocurrency on the same day, any gains or losses realised from the transaction are not subject to capital gains tax (CGT). Instead, they are treated as income for tax purposes.

This rule is typically applied to prevent individuals from engaging in short-term speculative trading to exploit the lower tax rates applicable to capital gains. By treating same-day transactions as income, HMRC aims to ensure that individuals pay tax at their applicable income tax rates on profits generated from short-term trading activities.



Bed and Breakfast Rule

The "Bed and Breakfast Rule," also known as the "30-Day Rule," is a tax rule in the United Kingdom that applies to certain transactions involving shares or securities. It aims to prevent individuals from artificially creating or enhancing capital losses for tax purposes by selling and repurchasing the same shares or securities within a short period, typically within 30 days.

If you sell and buy back the same cryptocurrency within 30 days, HMRC won't count the sale for tax purposes. This means you can't use this trick to lower your tax bill or increase losses. HMRC made this rule to make sure everyone pays their fair share of taxes. So, if you're planning to sell and buy back cryptocurrency, remember the Bed and Breakfast Rule to avoid any tax issues.



Part 4

How to report crypto capital gains to HMRC

- Can HMRC track my cryptocurrency?
- How to report crypto to HMRC
- Crypto tax reporting deadline

Can HMRC Track My Cryptocurrency?

Yes, HMRC can track your cryptocurrency activities. In recent years, HMRC has significantly intensified its efforts to act against cryptocurrency tax evasion. They have taken proactive steps, including requesting and obtaining customer data from major cryptocurrency exchanges. Additionally, HMRC has initiated sending out nudge letters to taxpayers they believe may have undeclared gains from crypto assets.

These actions demonstrate HMRC's commitment to monitoring and enforcing tax compliance within the cryptocurrency sector. By leveraging data obtained from exchanges and KYC (Know Your Customer) Regulations, HMRC has enhanced its ability to identify individuals who may have undeclared cryptocurrency income or gains. Therefore, it's essential for cryptocurrency holders to ensure they accurately report their taxable activities and fulfill their tax obligations to avoid potential penalties or enforcement actions by HMRC.

How to report crypto to HMRC

Calculate your cryptocurrency tax. Determine your capital gains, losses, income, and expenses associated with your crypto activities.

- Register to file taxes online with the Government Gateway service by October 5, if you're not already registered.
- Fill out the [Self Assessment Tax Return](#) (SA100).
- Submit your Self Assessment Tax Return online to HMRC by midnight on January 31. Once submitted, you're done!

Before reporting your crypto tax to HMRC, ensure you've completed the necessary calculations. This involves totaling your:

- Capital gains and losses from crypto
- Crypto income
- Allowable expenses related to your crypto investments

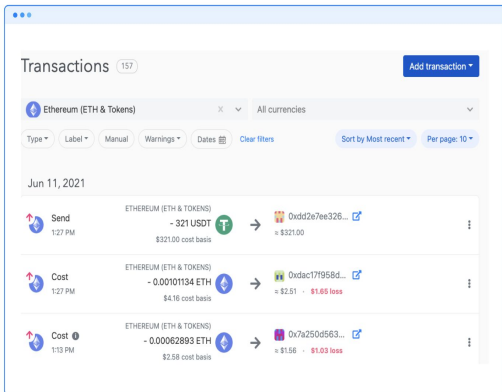
Crypto Tax Reporting Deadline

The deadline to declare and pay any tax owed is the same as the Self assessment tax return deadline. This would be 31 January each year. For example, the 2023/24 tax year end 05 April 2024, the deadline is 31 January 2025.

You will need to calculate your tax liability for any capital gains or losses between April 6th to April 5th.

Need help with your Self Assessment filing?





The screenshot shows the 'Transactions' page in GoForma. It lists transactions for 'Ethereum (ETH & Tokens)'. The first transaction is a 'Send' of 0.321 ETH at 1:27 PM on Jun 11, 2021, with a cost basis of \$321.00. The second is a 'Cost' of 0.00101134 ETH at 1:27 PM, with a cost basis of \$4.16. The third is a 'Cost' of 0.00062893 ETH at 1:13 PM, with a cost basis of \$2.58. Each transaction shows the amount in ETH and USD, and the resulting capital gain or loss.

Get a crypto self assessment for only £189 with GoForma

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Part 5

Support for crypto tax in the UK

- Free crypto consultation
- Cryptocurrency self assessment tax return filing
- Koinly discount
- Why GoForma?

What crypto support does GoForma provide?

[Schedule a free crypto consultation:](#)

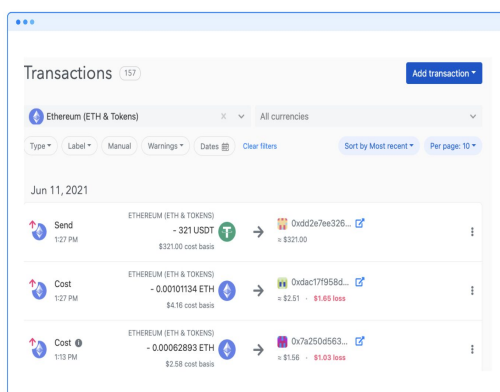
We can help walk answer any general UK crypto tax questions you may have in a free 20 minute consultation.

[Get a crypto self assessment tax return:](#)

We'll help you with your Self Assessment Tax Return with cryptocurrency capital gains tax calculation with our partnership with Koinly for £189 + VAT for up to 25,000 transactions.

[Calculate your capital gains tax with Koinly:](#)

We have partnered with Koinly to help your automatically calculate your capital gains tax for your crypto investments.



**Book a free crypto
accounting
consultation**

Schedule a call

Why GoForma?

Some of the key reasons to use GoForma:

- Unlimited bookable support with a dedicated accountant
- Personal tax support for self assessment filing, cryptocurrency, property and more
- Business accounting support for Limited Companies, Sole Traders and Umbrella Companies
- 20+ unique partner offers on insurance, banking and software
- All your HMRC and Companies House filing sorted

100+ 5 star reviews on [Trustpilot](#) and [Google](#):



The team at GoForma are very responsive and nothing ever seems like too much trouble for the team.



Incredibly friendly, knowledgeable and transparent advice from Jawad. Such a pleasure to chat with him.



I could not be more happy about our experience with GoForma. We had many quotes from other accountants before choosing GoForma, but nobody gave us such a professional impression