

Rachel Blake MP, Economic Secretary to the Treasury (EST)

Dan Tomlinson MP, Exchequer Secretary to the Treasury (XST)

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9 July 2026

Dear Ms Blake and Mr Tomlinson,

### **Urgent reform of the tax treatment of DeFi lending and staking transactions**

We write on behalf of a coalition of trade and professional bodies representing the full spectrum of the UK cryptoasset sector. Our members range from individual investors and innovative founders to large institutions and professional advisers, and consider cryptoasset taxation from a broad and representative set of perspectives.

We welcome the limited focus on cryptoasset taxation in the most recent Budget, particularly the government's commitment to implementing the OECD's Cryptoasset Reporting Framework (CARF). We request that the government simplify the UK tax regime relating to the use of cryptoassets in decentralised finance (DeFi) arrangements.

As Bitcoin and other cryptoassets continue to expand in global economic relevance, the UK's financial services sector has a significant opportunity to capitalise on a £1 trillion-plus market. However, this opportunity risks being lost if unnecessary tax friction remains unresolved.

We note the extensive consultation activity and significant progress made by the FCA in developing a regulatory framework for the effective operation of cryptoassets in the UK.

The UK could have the best regulatory framework in the world, however, if the tax treatment remains misaligned with economic reality, the benefits of regulation will be undermined, the UK's competitiveness will be diminished, and the Government's ambition for the UK to be "at the top of the list for cryptoassets firms looking to grow" will be threatened.

The review of DeFi taxation commenced in summer 2022 with a Call for Evidence, followed by a consultation that closed in summer 2023. HMRC has acknowledged that all formal written responses unanimously supported a review of the existing tax treatment. Nearly four years after the initial announcement, however, there remains no legislative resolution.

At present, the tax treatment of lending Bitcoin and other cryptoassets does not reflect the economic substance of the arrangements. This creates complexity, uncertainty and disproportionate compliance burdens for individuals and businesses participating in DeFi.

HMRC published a budget day update on the taxation of DeFi lending and staking activities last year. This update recognised HMRC's objective of aligning the tax treatment of certain cryptoasset transactions more closely with their economic substance.

This issue is only likely to become more urgent following the FCA's road map for regulation, in particular Consultation Paper CP25/40, which indicates that retail access to cryptoasset lending and borrowing may be permitted, subject to conditions. CARF will also inevitably increase scrutiny of cryptoasset taxation at a time when many cryptoasset holders remain unaware of their tax obligations. Continued uncertainty around the tax treatment of DeFi lending and staking risks imposes a disproportionate burden on compliant taxpayers. Our consistent request is simply that cryptoassets used in DeFi lending and staking arrangements be treated in an equally neutral manner as with traditional securities, where the economic substance is equivalent.

The government has been clear that reasserting the UK's leadership in financial services requires moving from consultation to implementation, and from aspiration to delivery. Addressing the taxation of DeFi lending and staking would be a practical, contained, and high-impact example of that approach in action, demonstrating that the UK can align regulation, taxation, and innovation at pace when the economic substance is well understood.

If implemented promptly, the UK could move ahead of many of its international peers, establishing itself as a global leader by being among the first countries to modernise its tax legislation to address these important issues.

**We therefore urge you to prioritise the swift introduction of the necessary legislation for inclusion in the next Finance Bill.**

We remain at your disposal and would welcome the opportunity to discuss these matters in more detail. We would be pleased to provide further insight or technical support to assist in resolving the taxation of cryptoassets in a way that supports growth, innovation and compliance.

Yours sincerely,

Cessiah Lopez - Superteam UK (STUK)

Dion Seymour - Andersen LLP

Fabienne van Kleef - Global Digital Finance (GDF)

Laura Navaratnam - Crypto Council for Innovation (CCI)

Richard Jones/ Polly Tsang - Institute of Chartered Accountants in England and Wales (ICAEW)

Suzanne Morsfield - CryptoUK (CUK)

Simon Jennings - UK Cryptoasset Business Council (UKCBC)

