7 September 2026

CryptoUK
Formal House
60 St George’s Place
Cheltenham
GL50 3PN

Submitted by email: digitalassets@hmrc.gov.uk

Dear HMRC

Response to the technical consultation on the draft legislation concerning the taxation of stablecoins and cryptoasset loans and liquidity pools.

CryptoUK welcomes the opportunity to comment on the draft legislation concerning the taxation of stablecoins, cryptoasset loans and liquidity pools. We have combined our comments on these two measures because the asset-level exemption for eligible stablecoins and the no-gain/no-loss treatment of qualifying lending, borrowing and automated market making arrangements need to operate together.

CryptoUK supports the direction of the measures. The full Capital Gains Tax exemption for eligible stablecoins held by individuals and trustees will reduce tax friction. Treating genuinely interest-like stablecoin lending returns as interest is consistent with their economic substance, and the proposed Corporation Tax loan-relationship treatment is a welcome development. CryptoUK also supports no-gain/no-loss treatment where cryptoassets enter or leave qualifying lending, borrowing and automated market making arrangements without a substantive change in economic exposure.

Our remaining comments concern stablecoin eligibility, the practical boundaries of the new rules, the treatment of returns and the guidance needed for implementation.

1. Definition and identification of eligible stablecoins

The proposed definition provides broad coverage for asset-backed stablecoins designed for payment or settlement while excluding unbacked algorithmic stablecoins. CryptoUK agrees with that approach.

The statutory test will nevertheless require taxpayers, advisers and software providers to determine whether a stablecoin satisfied certain conditions at a particular time. We welcome HMRC's intention to identify major eligible stablecoins in guidance. The list should be maintained and dated, explain the principal criteria used and preserve a record of changes. It should also explain how taxpayers should approach an unlisted stablecoin, since the statutory test rather than inclusion on the list will determine eligibility.

The acquisition-date test can preserve exempt treatment where a stablecoin later depegs or ceases to qualify. This may leave an economic loss outside Capital Gains Tax. CryptoUK recognises that this follows from the full-exemption model and does not propose reopening that policy choice. Guidance should explain the consequence and distinguish tax eligibility from any assessment of the asset's safety or resilience.

CryptoUK supports the policy judgment underlying the proposed exemption: an eligible stablecoin should not give rise to a chargeable gain or allowable loss on disposal. In our view, that judgment should apply to qualifying holdings already held at commencement as well as to holdings acquired afterwards. The transitional rule in clause 1(6) to (8) would treat a person holding an eligible stablecoin immediately before 6 April 2027 as disposing of and reacquiring it at market value. That qualification to the exemption would crystallise a gain or loss solely because the legislation changes the Capital Gains Tax treatment of the asset, rather than because the taxpayer has sold, exchanged or otherwise realised their holding. Generating a tax event at the point the measure is introduced to remove that tax friction is anomalous. CryptoUK therefore asks that the deemed-disposal rule be removed. Eligible stablecoins held at commencement should enter the exemption on 6 April 2027 without a compulsory tax event.

CryptoUK does not regard alternative approaches as equivalent in principle. However, if the Government considers that pre-commencement gains and losses must be preserved, taxpayers should be permitted to elect to defer them until an actual disposal. The 6 April 2027 market value would fix the pre-commencement amount, but no charge or relief would arise until the holding is realised. Subsequent changes in value should remain within the exemption.

HMRC should also confirm the treatment of separate exempt and non-exempt section 104 holdings where eligibility changes, including the applicable disposal ordering and the position when HMRC changes its published assessment. These rules will need to be capable of consistent implementation across taxpayer records and tax software.

CryptoUK supports the proposed Corporation Tax treatment of eligible stablecoins as money debts and the corresponding treatment of relevant lending. Concise examples should cover the treatment of a company’s existing holdings at 1 April 2027, including a straddling accounting period, the application of tax-adjusted carrying value, the main accounting classifications under IFRS and UK GAAP, amounts recognised in other comprehensive income, and later changes in eligibility. This would allow businesses and software providers to implement the transition consistently.

2. Interaction with lending borrowing and automated market making

CryptoUK welcomes the proposed no-gain/no-loss treatment for qualifying arrangements. It reflects the principle that a movement or technical representation of cryptoassets should not create a gain or loss where the person's substantive investment exposure has not changed.

HMRC's draft worked-examples document is a substantial and helpful supplement to addressing the complications that arise between the asset-level exemption applied to stablecoins and the transaction-level no-gain/no-loss treatment. In particular, it addresses exempt and non-exempt stablecoin holdings, changes in stablecoin status, mixed arrangements, basis and relevant-number calculations, repeated deposits, partial exits, default and collateral liquidation.

CryptoUK has not yet received detailed member and software-provider comments on each example before the consultation deadline. We therefore take the examples at face value as an explanation of HMRC's intended operation of the draft legislation and do not identify any error in them at this stage. We will raise any specific questions or issues identified through subsequent review during further engagement.

Our members have identified several other potential scenarios that may benefit from worked examples, such as concentrated-liquidity and NFT-based positions, single-sided liquidity, wrappers or aggregators, and positions spanning commencement. We would welcome HMRC consideration for these as the guidance develops, and CryptoUK will review the existing examples with members and may provide further details or suggestions as and when comments are received. Software providers are particularly well placed to identify detailed implementation issues, including scenarios not yet covered by the examples and unintended consequences or gaps that may only become apparent when the rules are applied in practice.

The examples also demonstrate the intended interaction between the two regimes. An interest in a qualifying single cryptoasset lending arrangement can be exempt where the invested cryptoasset is an eligible stablecoin when the interest is acquired. An automated market making interest is treated differently: a stablecoin contribution may be exempt on entry, but gains or losses on the resulting interest can remain chargeable. CryptoUK accepts that the framework is intended to prevent exempt stablecoin treatment sheltering gains attributable to BTC, ETH or another chargeable asset. The examples make the consequences of that boundary considerably clearer.

3. Qualifying arrangements and returns

The definition of a single cryptoasset lending arrangement should accommodate ordinary credit, liquidity and technology risks where the arrangement preserves an enforceable or protocol-established economic entitlement to the relevant number of cryptoassets. Terms such as 'no significant risk' and 'unconditionally entitled' could otherwise produce different tax treatment for economically similar arrangements. Guidance should use objective indicators and examples to distinguish a qualifying lending arrangement from products which do not transfer or deploy the customer's cryptoassets.

At the roundtable, HMRC drew attention to the definition of an automated market making arrangement, including the requirement that it operate by way of a smart contract and include an automated protocol which sets prices. CryptoUK agrees that the definition needs to reflect how different protocols operate in practice. We do not have further comments on this point at present, but will provide them if relevant member feedback is received.

CryptoUK supports interest treatment where a return is genuinely attributable to the time value of the cryptoassets made available. Governance-token emissions, promotional incentives, liquidity-mining rewards and other protocol benefits should retain their ordinary character where they are economically separate. Where a return contains more than one element, the legislation or guidance should permit a reasonable apportionment.

We understand HMRC's position to be that income arises when the person becomes entitled to the reward rather than when it is withdrawn, and that accrued rewards then form part of the principal balance. Guidance should explain when entitlement arises for continuously accruing, restricted, claimable but unwithdrawn and automatically reinvested returns. It should also address valuation and the treatment of an amount which is recognised but subsequently not received or loses value before it can be controlled.

4. Withholding tax and commencement

CryptoUK welcomes HMRC's consideration of an additional withholding-tax exemption for borrowing undertaken through genuine centralised or decentralised exchanges. The final rules should explain which arrangements qualify and how they apply where there is no identifiable UK payer or where interest accrues continuously. This will help avoid different outcomes for economically comparable borrowing solely because of its technical delivery.

We also welcome confirmation that the individual stablecoin exemption is intended to take effect from 6 April 2027 without retrospective application. One remaining implementation question concerns arrangements already open at commencement. The final legislation or guidance should state the order in which the stablecoin and lending or automated market making transition rules apply and the basis carried into the post-commencement position. This should prevent duplicate recognition where more than one deemed event could otherwise apply.

5. Implementation

The worked examples provide a strong basis for implementation work. HMRC should continue testing the legislation and guidance with tax-software providers, exchanges, custodians, stablecoin issuers, DeFi protocols and professional advisers before commencement. That process can identify specific gaps more effectively than further general requests for examples.

Conclusion

CryptoUK supports the principal policy choices reflected in the draft legislation. The remaining work is to make the eligibility tests, arrangement boundaries, income treatment, commencement rules and withholding-tax provisions sufficiently clear for taxpayers and systems to apply consistently. We would welcome continued technical engagement on those points and will provide further member feedback where it becomes available.

Yours faithfully

CryptoUK