



Investing in cryptoassets as a UK resident, non-domiciled individual

Overview

A cryptoasset is the name given to a relatively new form of currency which exists solely via digital platforms, commonly referred to as 'cryptocurrency' or 'tokens' that can be:

- transferred
- stored
- traded electronically

HMRC does not consider cryptoassets to be a recognised form of currency or money, rather categorises them according to nature or intended use, with the main types as follows:

- **Exchange Tokens** - intended to be used as a means of payment, but commonly traded (e.g. Bitcoin)
- **Utility Tokens** – provide access to particular goods or services on a specific platform (e.g. Filecoin)
- **Security Tokens** - provide particular rights or interests in a business
- **Stablecoin** – may be pegged against a more stable asset such as gold (e.g. Tether)

Taxation of cryptoassets

Income Tax

It is possible for the acquisition of cryptoassets to be subject to Income Tax, and in some cases National Insurance, when obtaining tokens from employment (in lieu of cash), mining transactions, staking or airdrops.

In some circumstances HMRC may consider that an individual who buys and sells exchange tokens with frequency, organisation and sophistication, is engaged in a financial trade. If the taxpayer's activity is considered to be trading then Income Tax will take priority over Capital Gains Tax and will apply to profits (or losses).

Capital Gains Tax (CGT)

The disposal of cryptoassets may be subject to CGT. Crypto portfolios are essentially treated as any other share portfolio in that CGT is due on profits and any losses arising upon disposal are deducted to reduce the overall capital gain. Any capital gains tax-free allowances can also be used to offset against the final gain.

Location of cryptoassets and taxable remittances

To resolve issues arising due to the intangible nature of cryptoassets, HMRC have taken the view that the 'location' of these assets is dependent upon **where an individual is tax resident.**

HMRC are effectively disallowing the remittance basis in respect of cryptocurrencies, meaning that non-domiciled residents filing under the remittance basis of taxation will make a remittance to the UK if purchasing cryptoassets with offshore funds at the point of purchase if they do not plan in advance. This applies regardless of whether the cryptoassets are used in the UK or accessible in the UK. If purchasing using mixed funds, the mixed fund ordering rules would need to be followed to determine the nature and extent of any taxable remittance.

This also means that non-domiciled UK tax residents will be subject to UK taxation when they dispose of any of their cryptoassets, regardless the claim for the remittance basis of taxation.

Currently, there is no internationally recognised framework for the treatment of cryptoassets and no specific amendments to existing Double Tax Treaties to cover them, which may lead to conflicting treatment in different jurisdictions for those with fiscal ties to multiple countries

Reporting and record-keeping

Taxpayers are responsible for keeping full details of each cryptoasset transaction and any supporting valuation records for acquisition and disposal, which may be requested should HMRC decide to carry out a compliance check.

How we can help

At James Cowper Kreston, our specialist global mobility tax team can offer a wide range of assistance to ensure you and your employee population are compliant with UK regulations and we boast a worldwide network of Kreston firms through which we can assist with any overseas requirements.

Services we can offer include:

- Advice on UK Tax treatment and reporting requirements
- Remittance and mixed funds analysis
- Share pool calculations
- Preparation of tax returns, amended tax returns and disclosures to HMRC

If you would like to discuss any of the above, please get in touch with your usual contact at James Cowper Kreston or contact one of our Global Mobility Tax team below.

Our Global Mobility Tax Team

Jaouad Chakht

Global Mobility Tax Senior Manager
Tel: +44(0)118 9551058
E: jchakht@jamescowper.co.uk

Sam Richards

Global Mobility Tax Assistant
Tel: +44(0)1635 35255
E: srichards@jamescowper.co.uk

Charlotte Firth

Global Mobility Tax Manager
Tel: +44 (0)118 955 1009
E: cfirth@jamescowper.co.uk

Natasha Sawati

Tax Senior
Tel: +44(0)118 9590261
E: nsawati@jamescowper.co.uk

Aarti Nayak

Global Mobility Tax Manager
Tel: +44(0)7557351622
E: anayak@jamescowper.co.uk

Henley-on-Thames

Videcom House, Newtown Road,
Henley-on-Thames, RG9 1HG
Tel: +44 (0)1491 848500

London

5 Chancery Lane, London, EC4A 1BL
Tel: +44 (0)203 8179350

Newbury

2 Communications Road, Greenham Business Park,
Greenham, Newbury, RG19 6AB
Tel: +44 (0)1635 35255

Oxford

2 Chawley Park, Cumnor Hill, Oxford, OX2 9GG
Tel: +44 (0)1865 861166

Reading

Reading Bridge House, George Street, Reading, RG1 8LS
Tel: +44 (0)118 9590261

Southampton

The White Building, 1-4 Cumberland Place, Southampton, SO15 2NP
Tel: +44 (0)2380 221222

Accounts & Business Advisory • Audit & Assurance • Business Restructuring & Insolvency • Business Tax • Corporate Finance • Outsourcing • Payroll • Private Client Tax

www.jamescowperkreston.co.uk