A guide to:

TAX ON CRYPTOCURRENCY

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HOW IS CRYPTOCURRENCY TAXED IN THE UK?

In the UK, HM Revenue & Customs (HMRC) does not treat cryptocurrency as money. Instead, it classifies it as an asset.

This means that profits or income from crypto are subject to either Capital Gains Tax (CGT) or Income Tax, depending on the nature of the activity.

When is crypto taxed as Capital Gains?

If you're investing in crypto; buying and holding with the intention of selling later for a profit, you're likely subject to Capital Gains Tax (CGT).

Activities subject to CGT include:

- Selling crypto for fiat currency (e.g. GBP)
- Swapping one crypto for another (e.g. ETH to BTC)
- Using crypto to pay for goods or services
- Gifting crypto to another person (not your spouse or civil partner)

Example:
You are a basic rate taxpayer. You bought 1 BTC for £1,500 in January 2025. In June 2025, you sold it for £4,800.

Capital Gain = £4,800 – £1,500 = **£3,300**

You can earn up to £3,000 capital gains before being taxed.

You will need to pay 18% CGT on the £300 gain above the £3,000 threshold. The total CGT liability for this transaction would be: **£54.00.**

CGT Allowance (2025/26):

£3,000 per individual

CGT Rates (2025/26):

18% if you're a basic rate taxpayer

24% if you're a higher or additional rate taxpayer

When is crypto taxed as income?

If you're earning crypto, it's usually taxed as income and subject to Income Tax and National Insurance (if applicable).

Activities subject to Income Tax include:

- Getting paid in crypto by an employer
- Receiving crypto through mining (if done on a commercial scale)
- Earning staking rewards (depending on the setup)
- Airdrops (in some cases – see below)
- Running a crypto trading business

Example:
You receive 0.05 BTC (worth **£1,200** at the time) as payment for freelance work. You must declare the £1,200 as income and pay **Income Tax** at your applicable rate.

A basic rate taxpayer would pay **£240 income tax** on the £1,200 earned.

National Insurance:
If you're self-employed and earning crypto, Class 2 and Class 4 NICs may also apply.

2025/26 Income Tax bands
(England and Wales)

Band	Taxable Income	Tax Rate
Personal Allowance	Up to £12,570	0%
Basic Rate	£12,571 to £50,270	£20%
Higher Rate	£50,271 to £125,140	40%
Additional Rate	Above £125,140	45%

Record-keeping requirements and how to report:

You must keep accurate records of:

- Dates of acquisition and disposal
- Amount paid/received
- Market value in GBP at time of each transaction
- Wallet addresses (optional but recommended)
- Associated fees.

HMRC requires records to be kept for at least 5 years after the tax year in question.

Crypto gains or income must be reported via Self Assessment.
The tax year runs from 6 April to 5 April the following year and the deadline for online filing is 31 January after the end of the tax year.

Special Cases:

There are some special cases to consider when calculating the tax on your crypto transactions:

Airdrops:
If received as part of a promotion or in exchange for doing something (like retweeting a project), they're **taxable as income.**

If received with no strings attached, they might not be taxed as income, but could be **subject to CGT** when later disposed of.

Mining:
Hobby mining: Gains may be taxed under CGT when selling the coins.

Commercial mining: Earnings are treated as income and taxable under Income Tax rules.

Staking:
If staking is part of a business or organised activity, rewards may be **taxed as income**.

Otherwise, they may be taxed as **capital** when disposed of.

Summary: CGT vs Income Tax

CGT	Income Tax
Selling crypto	Getting paid in crypto
Swapping crypto (eg BTC > ETH)	Commercial scale mining
Using crypto to buy goods or services	Staking rewards
Gifting crypto to anyone other than a spouse or civil partner	Airdrops with conditions

Buying and holding crypto is not taxed.

Get in touch:

Speak to our specialist tax team if you're unsure whether your activities are taxable, or how to calculate your gains.

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