

Cryptocurrency and UK Tax on Individuals



Did you know that you may need to declare your cryptocurrency transactions to HMRC?

If you have sold, gifted or spent cryptocurrency, you will need to declare any profit or gains on your self-assessment tax return due by 31 January each year.

We advise clients on the tax treatment of their cryptocurrency investments and trading activity and it is clear that there is widespread uncertainty about the correct position. If you fail to declare taxable income or gains, you may be liable to interest and penalties from HMRC.

How much tax will I need to pay on my cryptocurrency profit?

Profits made on cryptocurrencies by individuals will generally be subject to capital gains tax (CGT) at a rate of 10% or 20% (depending on your circumstances) after deducting the annual CGT allowance (£12,000 - 2019/20 tax year). If you have regularly bought and sold cryptocurrencies HMRC may seek to argue that you are liable to income tax at a rate of up to 45%. If you are uncertain as to whether CGT or income tax will apply, we can help ascertain how it will be treated.

How will HMRC know about my profits?

HMRC now has significant powers to acquire and analyse information concerning UK taxpayers from a range of UK and non-UK sources. If HMRC raises an enquiry into your tax returns, it is likely to question the appearance of profits in your bank account that have not been accounted for.

What if I made a loss?

If you made a loss on individual transactions, you may be able to offset these losses against your cryptocurrency profits or other capital/trading profits in future years.

What if I fail to declare my cryptocurrency profits?

If you deliberately fail to declare taxable income or gains, HMRC has up to 20 years following the end of the relevant tax year to enquire into your tax returns. If tax has been underpaid, you may be liable to interest and penalties of up to 100% of the amount of tax due. In the most serious circumstances, criminal liability may apply.

There is still time to seek advice and make the necessary disclosures, for our assistance please call us on 020 8317 6460 or email michael.broder@simpsonwreford.co.uk