Crypto Assets

Crypto Taxes in 2025: What You Need to Know About HMRC's New Rules

From 2025, HMRC will require income, gains, and losses from crypto assets to be reported separately on self-assessment tax returns. For crypto investors, this is an important change and not entirely unexpected, given HMRC has long viewed crypto reporting as a problematic area and the new rules will give them greater access to transactions involving cryptocurrencies and non-fungible tokens (NFTs).

What's Changing?

Currently, tax returns do not distinguish crypto income or gains from other types of income. The upcoming changes will enable HMRC to cross-reference taxpayer data with information from crypto exchanges, such as Coinbase, Binance, and Kraken, which are already required to disclose user data to HMRC to operate in the UK.

With this greater visibility, HMRC will likely increase its scrutiny of crypto transactions. This includes not only the exchange of crypto for traditional ("fiat") currencies but also crypto-to-crypto trades, which are usually considered to be disposals for UK Capital Gains Tax (CGT) purposes and will therefore trigger a need to report to HMRC.

Common Misconceptions About Crypto Tax

Many investors mistakenly believe that if their crypto assets are not converted into fiat currency or withdrawn as cash, they are not liable for tax. This is incorrect. Any exchange of one crypto asset for another is usually deemed a taxable event under UK law.

Another common myth is that crypto holdings on non-UK platforms are exempt from UK taxes. The UK tax position, as always, is determined by the taxpayer's residence, not the location of the asset or platform. Non-UK platforms may still disclose user data to HMRC, so assuming otherwise could be a costly mistake.

How HMRC Will Use This Data

The introduction of dedicated crypto reporting aligns with HMRC's established approach in other areas, such as comparing Land Registry data to identify undeclared property income. We anticipate similar tactics in the crypto sector, including the use of "nudge" letters to encourage full disclosure.

Continued overleaf

For More Information

If you have any questions about the points raised, or would like to know more about anything covered, please contact us:

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Do bear in mind that if prompted by HMRC, any potential penalty on under declared tax is likely to be higher than on a voluntary disclosure – this could result in a penalty of up to 200% of the additional tax, so it is always better to correct any past error voluntarily.

Staying on the Right Side of Compliance

As crypto tax reporting becomes more sophisticated, it is crucial that you maintain a complete set of records of crypto transactions to ensure both that tax reporting is correct and that you can explain your calculations if challenged by HMRC. While many platforms offer facilities to generate reports for tax purposes, they are not always sufficiently comprehensive, especially in the case of transactions in NFT's. It is therefore essential to keep your own detailed records, including for all trades, disposals, and gains, to ensure accurate tax information and to provide a robust defense if questioned by HMRC. Remember, HMRC consider it your responsibility to maintain proper records and will not regard reliance on crypto platforms as a reasonable excuse!

What Should You Do Next?

We understand that this is a complex area: assistance may be needed in dealing with the reporting of any income and gains, or in relation to the records that need to be maintained in future. If you've sold crypto assets and have not reported the gains, please get in touch so that we can help you.

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