



TAXATION OF STABLECOINS

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ICAEW welcomes the opportunity to comment on the Taxation of Stablecoins published by HMRC on 26 March 2026, a copy of which is available from this [link](#).

Enter summary of major points

- We believe that aligning the definition of stablecoins for tax and regulatory purposes would provide the most consistency and simplicity for taxpayers and agents alike.
- Stablecoins are increasingly becoming a source of exchange and method of payment for goods and services and we expect this usage to increase in the future. This suggests that they are in substance increasingly becoming akin to money.
- There is no consistent accounting treatment for stablecoins. As such, if the aim is to make the tax regime as consistent as possible, it is not advisable to entirely align the tax treatment with the accounting treatment.
- We believe that the overall objective of a stablecoin tax regime should be to remove transactions in relevant assets from the charge to tax as far as possible, unless real economic value is derived by a party to the transaction.
- Companies would generally prefer stablecoins to be treated as money for tax purposes so that they could fall wholly within the loan relationships regime.
- Consistency would dictate that stablecoins are treated as money for personal tax purposes, such that no chargeable gain would arise on their disposal and any return would be treated as interest. However, those taxpayers with significant savings and investment income and minimal trading or miscellaneous income may then suffer higher tax liabilities.

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ANSWERS TO SPECIFIC QUESTIONS**Question 1: Are there any further points of background in relation to stablecoins and the stablecoin market which would be relevant to this Call for Evidence?**

1. The global stablecoin market has grown significantly not only in size but in importance. The push for increased regulation in the UK, and abroad, will only serve to increase the usage of stablecoins as a means of payment. Changing the taxation of stablecoins will take time and it is right that HMRC commences this process sooner rather than later.
2. In designing a tax regime for stablecoins, it is first necessary to define what we mean by a 'qualifying stablecoin' for the purposes of the regime.
3. For administrative ease and consistency, we recommend that the tax definition aligns as closely as possible with the definition included in the regulatory regime designed by the FCA and included at article 88G of the Financial Services and Markets Act 2000.
4. This definition starts by defining a qualifying stablecoin as a qualifying cryptoasset that –
5. references a fiat currency; and
6. seeks or purports to maintain a stable value in relation to that referenced fiat currency by the issuer holding, or arranging for the holding of –
7. fiat currency; or
8. fiat currency and other assets.
9. Even with a definition as precise as this, it does still leave open a degree of interpretation and therefore we encourage the FCA and / or HMRC to publish an 'allowed list' of stablecoins that would meet this definition in its guidance note.
10. We believe that the overall objective of a stablecoin tax regime should be to remove transactions in relevant assets from the charge to tax as far as possible, unless real economic value is derived by a party to the transaction. Indeed, the tax at stake is so minor compared to the administrative burden currently being incurred that the overall impact should still be positive on the Exchequer.

Question 2: To what extent does the current CGT treatment:

- **cause administrative or other difficulties for individuals, and/or**
 - **deter the use of stablecoins, for example in retail payments?**
11. We believe that a significant proportion of stablecoin users are unaware of the current tax treatment. This treatment therefore does not affect their behaviour. However, if use of stablecoin became more widespread, especially for retail purposes, users would soon find themselves sleepwalking into a compliance headache with a greater number of transactions resulting in taxable disposals. This is because many holders do not recognise the difference between holding a US dollar denominated stablecoin and a US dollar in a bank account. To that extent, the current treatment could hold back more widespread use.

Question 3: Are there any difficulties caused by the current Income Tax treatment of stablecoins, and to what extent do those difficulties deter their usage?

12. We anticipate that most users receiving stablecoins during a trade or through reason of employment would expect to be taxed on the value of the stablecoin received. To that extent, we do not believe that the current tax treatment causes any significant difficulties.

Question 4: Currently, how do companies typically account for stablecoins in practice? Please specifically include references to USDT and USDC, 2 of the major stablecoins in the current market, as well as other common stablecoins used by companies.

13. Stablecoins are not explicitly mentioned in IFRS. Entities must therefore apply IAS 8 and assess which existing standard best reflects the substance of the arrangement, based on

the specific rights attached to the token. This then leads to differing accounting treatments, depending on the characteristics of the instrument.

14. Generally, companies account for stablecoins as either an intangible asset under IAS38 or inventory under IAS2. While it can be a high hurdle to overcome, some companies recognise stablecoins as a financial asset under IFRS9 and, in fewer circumstances, as a cash equivalent.
15. The accounting treatment can differ between a USDC and USDT. Under IFRS, the key test is whether the holder has a contractual right to receive a fixed amount of cash from an identifiable issuer.
16. USDC is most commonly accounted for as a financial asset. It is rarely seen as a cash equivalent because it is redeemable on demand
17. USDT is widely seen as not meeting the definition of a financial asset and is typically accounted for as an intangible asset or inventory (depending upon the facts).

Question 5: How are stablecoins typically treated in practice for Corporation Tax purposes, including where the stablecoin is itself lent or borrowed by a company?

18. While trading in stablecoins can be a high bar to reach for companies, it is more common than for individuals and it is usually more obvious when a trade is taking place. Typically, trading by companies is indicated by a high volume of transactions carried out. In such cases, the profit or loss arising on a transaction is treated as a trading profit / loss for tax purposes, such that the tax result typically follows the accounting result.
19. If the trading condition is not met, stablecoins are typically taxed as a chargeable gain. Transactions in stablecoin are typically not a transaction for the lending of money and so, as the rules currently stand, cannot fall within Part 5 of CTA 2009. They also typically do not meet the definition of an intangible fixed asset within Part 8 CTA 2009.

Question 6: To what extent is it possible in practice for a stablecoin:

- **to be a loan relationship, but not be accounted for as a financial asset under IFRS 9 (or equivalent) and/or**
 - **to not be a loan relationship, but to be accounted for as a financial asset under IFRS 9 (or equivalent)?**
20. The accounting treatment of a stablecoin does not determine whether that instrument is “money” for tax purposes, so divergence between accounting classification and tax treatment is possible.
 21. Under IFRS 9, classification depends on the specific rights and characteristics of the stablecoin, particularly whether there is a contractual right to redemption. However, for a loan relationship to exist under Part 5 CTA 2009, there must be a “money debt” arising from the lending of money.
 22. HMRC’s current position, as reflected in its cryptoasset guidance, is that cryptoassets are not money, which limits the application of the loan relationship regime.
 23. As a result, a stablecoin could be recognised as a financial asset for accounting purposes where redemption rights exist, yet still fall outside the loan relationship rules if it is not legally regarded as a money debt. The reverse scenario is less likely but theoretically possible where legal form drives tax treatment independently of accounting classification.
 24. Overall, this highlights that while accounting treatment is influential, it is not determinative, and current rules can produce outcomes that diverge from economic substance.

Question 7: Are there any difficulties caused by the current Corporation Tax treatment of stablecoins, and to what extent do difficulties deter companies from using them?

25. We generally see far fewer companies than individuals failing to report crypto asset transactions. They may not always apply the appropriate tax legislation, but they will

typically report a gain or loss arising as this will be recognised in the profit and loss account. They also typically have in-house tax expertise but as cryptoassets are a relatively new class of assets, they and external advisors are often unsure of the correct tax treatment. A simplified regime, such as the loan relationship regime, would therefore be welcome.

26. For companies subject to tax on stablecoin transactions as chargeable gains, the tracking of acquisitions and disposals can be a significant administrative burden. This includes tracking FX gains and losses - i.e. where a company is accepting or utilising USD backed stablecoins but prepares its financial statements in sterling. These FX movements are typically already accounted for in the company's income statement.
27. Where stablecoins are treated as chargeable gains or losses, the use of these losses comes with greater restrictions than for trading losses or loan relationship debits i.e. they can only be used against current or future chargeable gains. This treatment does deter companies from using stablecoins due to the inflexibility in the use of these losses. By comparison, companies with foreign currency balances would typically tax movements in accordance with the accounting treatment as trading or as non-trade loan relationships, which experience far fewer restrictions.

Question 8: For both individuals and companies, what problems could be caused by contrasting treatment of interest-like returns generated from stablecoins and actual interest on fiat currency debt?

28. For corporates, we believe it is important to have a level playing field between holding stablecoins and fiat for interest like returns. There is a risk that trading or investment decisions are influenced by differing tax treatments. For example, if an interest-like return for stablecoin is not seen as interest, then corporates may choose stablecoins over fiat loans as this means that there is no withholding tax on the return.
29. In practice, the main challenge for individual taxpayers is that stablecoin returns that they are told are "interest" are not actually interest for tax purposes and so need to go in a different box to interest on the tax return. This is mostly a challenge for unrepresented taxpayers. In practice however taxation as miscellaneous income means that the trading and miscellaneous income allowance is often available, which presents a welcome simplification. We have elaborated on this point in our answer to question 16.

Question 9: Do you consider there to be any potential difficulties with the treatment of stablecoins in respect of taxes other than CGT, Income Tax and Corporation Tax?

30. As with other cryptoassets, we understand that HMRC's position is that the situs of stablecoins is the place of residence of the beneficial owner. This could cause uncertainty, given that the vast majority of stablecoins are pegged to the US dollar rather than GBP sterling. This means that tax charges on deemed UK assets could be dependent on exchange rate movements between GBP sterling and the currency to which the asset is pegged. HMRC may wish to consider if situs based on residence of the beneficial owner is still the most appropriate treatment, or if the different fact patterns of stablecoins means that they should be treated differently.
31. Following the finding in *Hedqvist*, the VAT treatment of cryptoassets has fallen under schedule 9 group 5 as a financial service and continues to be appropriate based on our previous answers. However, if HMRC takes a view that for other taxes stablecoins are not akin to money, it would be useful to understand if HMRC would then revisit its position on VAT. Based on case law, exchange tokens are treated as similar to money.
32. As the current view from HMRC is that cryptoassets are not treated as money, for VAT purposes, it's necessary to consider whether stablecoins could still fit within the VAT exemption. If arrangements with stablecoins become taxable, this would then cause issues when trying to ensure a level playing field between traditional finance (VAT exempt) and those utilising stablecoins (which would then be taxable). This could create distortion in the market.

Question 10: Does the regulatory definition of qualifying stablecoin provide a suitable starting point for the scope of any potential tax changes?

33. Yes, in line with our answer to question 1, while aligning the definition of qualifying stablecoin for tax purposes with the regulatory definition may not a perfect answer, it is a useful starting point. It also allows for the definition to expand in line with the regulatory position without the need for further changes to the tax legislation.

Question 11: What would be the preferred option(s) for reforming the tax treatment of stablecoins in respect of CGT for individuals, and why?

34. Under s251 (1) TCGA 1992, no chargeable gain accrues to an individual who disposes of a debt they incur to a third party. If stablecoins were specifically included within the definition of s251(1), then their disposal would result in neither a gain nor a loss, which would be the preferred position. As stablecoins are used as a means of exchange, an extension would need to apply so that stablecoins purchased from a third party (i.e. and so are second hand debts) would also benefit from the exemption.
35. Note that under s251 (1), a debt could be either in sterling or some other currency and so stablecoin referenced to a fiat currency other than sterling could still fall within this definition.

Question 12: Should the scope of any changes to the CGT treatment be extended to include non-sterling denominated stablecoins? Why or why not?

36. As above, we believe that this treatment could be applied to both sterling and non-sterling denominated stablecoins. This would result in the simplest tax regime for both taxpayers and HMRC. In practice most stablecoins are denominated in US dollars and so US denominated stablecoins would need to be included for any changes made to the UK tax system to be meaningful in practice.

Question 13: Are there any changes to the Income Tax treatment of stablecoins that you believe the government should be considering?

37. We agree with the position highlighted by HMRC in the CfE. No significant changes are required to the Income Tax framework. Existing provisions are sufficiently flexible to accommodate stablecoins across employment, trading and investment contexts.

Question 14: If you consider that reform is needed for the taxation of stablecoins by companies, what would be the preferred option, and why?

38. For the reasons set out in our response to question 7, we believe that stablecoins are akin to fiat currency in most cases, in terms of what they are used for and the way that they store value. For that reason, we believe that they should be brought within the definition of 'money' for the purposes of the loan relationship rules. This would then mean that debits and credits in a company's accounts relating to stablecoins would be taxed and relieved as loan relationship credits and debits.
39. While this would provide companies with more flexibility in the way they can utilise losses arising in respect of loan relationships, it also throws up a number of technical difficulties e.g.
- Would stablecoins be categorised as debt instruments for the purposes of applying thin capitalisation principles under transfer pricing rules?
 - For a stablecoin issuer, would the debits need to be taken into account for corporate interest restriction calculations?
 - Would stablecoin fall within the hybrid capital instrument rules and what would be the implications of that?

- Would the issuer need to apply withholding tax to interest-like returns arising on stablecoin and could the owner obtain double tax relief if those returns are paid cross-border?
40. We have not set out all the answers here but rather wish to draw the potential implications to HMRC's attention.

Question 15: Should there be an additional accountancy-based limitation on what stablecoins are included in any reforms, or specific rules to address amounts recognised in OCI? Why or why not?

41. We believe that if the tax legislation can closely follow the FCA definition, then there will be no requirement to apply additional accountancy-based limitations. In particular, if stablecoins can be brought within the loan relationship regime, then tax should follow company accounting, irrespective of how those assets are classified in the balance sheet.

Question 16: For both individuals and companies, would it be preferable for interest-like returns to be treated in the same way as actual interest? Why or why not?

42. Individuals are currently taxed on interest-like returns through the miscellaneous income provisions. In practice, this has worked well as taxpayers will often have the combined miscellaneous and trading allowance available, which means that small income returns from stablecoins and other digital assets are not taxable.
43. By contrast, increases in interest rates and a frozen savings nil rate band (which itself is only available to basic and higher rate taxpayers) mean that taxpayers often use their entire available savings allowance on bank interest and hence any income from cryptoassets taxable as savings income could fall outside this band and become taxable.
44. The savings nil rate band can also create further complications in practice. Income being taken into account can have other consequences for further liabilities like the high-income child benefit charge and the tapering of the personal allowance.
45. If stablecoins returns were included within interest, more work would typically need to be done and disclosures made to disclose tax liabilities arising on stablecoins. Therefore, even though we believe that it is the better technical analysis to treat stablecoin returns in the same way as interest, this could lead to additional complications for taxpayers and agents.
46. It should be noted that categorising the stablecoin return as interest could also bring payments within the withholding tax regime (WHT). WHT could also be problematic if returns are issued that become categorised as interest payments in the UK but not under relevant DTAs.

Question 17: To what extent are stablecoins used in liquidity pool arrangements? Please provide any estimates of the market share of lending and liquidity pool arrangements that involve stablecoins, including figures to support where possible.

47. Stablecoins play a significant role in liquidity pool arrangements, meaning that any revision to their tax treatment cannot be addressed in isolation and must take account of their interaction with DeFi, as explained in detail at point 18 below.

Question 18: How should the treatment of cryptoasset loans and liquidity pools interact with the treatment of stablecoins? Would the proposed options in sections above create opportunities for tax avoidance involving lending and liquidity pools?

48. The treatment of stablecoins should be carefully aligned with any "no gain, no loss" framework for DeFi to avoid unintended outcomes. A full CGT exemption for stablecoins could create a risk that taxpayers crystallise gains on volatile cryptoassets by converting them into exempt stablecoins via liquidity pools or similar arrangements.
49. To mitigate this, any exemption should be targeted at genuine payment use cases, such as disposals of stablecoins for fiat currency or in exchange for goods and services.

Transactions within the cryptoasset ecosystem, including swaps between volatile tokens and stablecoins or participation in liquidity pools, should remain within the charge to tax.

50. This approach preserves the integrity of the tax base by ensuring that gains are recognised when value is effectively realised, while still supporting the use of stablecoins as a means of payment.

APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

1. **Statutory.** Tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament. A clear statutory basis ensures legitimacy, accountability, and public trust in the tax system.
2. **Certain.** As far as possible, the application of tax rules and compliance processes should be certain. Taxpayers should not normally need to resort to the courts to understand how the rules apply to their affairs.
3. **Simple.** The tax system should be easy to understand for all taxpayers and advisers. Complexity undermines trust, creates unfairness, and discourages compliance.
4. **Easy to administer.** Tax liabilities should be straightforward to administer for HMRC, agents, and all taxpayers. Taxes should be designed to work effectively in a digital environment, while administration must remain accessible to those with limited digital capability.
5. **Properly targeted.** Anti-avoidance rules and other targeted measures should be proportionate, clearly defined, and carefully scoped to achieve their policy objective without undermining simplicity or certainty. Poorly targeted measures add complexity and uncertainty, harming compliance.
6. **Stable.** Changes to the tax system should only be made when clearly justified by economic, social, or environmental goals. Transparent, purposeful reforms build confidence and move the system toward greater coherence and long-term stability.
7. **Subject to proper consultation.** Other than in exceptional circumstances, tax changes should be subject to open and meaningful consultation. Adequate time for stakeholder input improves policy quality, practicality, and public trust.
8. **Regularly reviewed.** Tax rules, reliefs, and policy-driven interventions should be subject to regular, transparent review to assess whether they remain relevant, effective, and aligned with current policy goals. Outdated or unjustified provisions should be reformed or repealed to maintain coherence.
9. **Fair and accessible.** The tax system should be fair and accessible in design and in operation, ensuring equitable treatment of taxpayers. Revenue authorities must exercise their powers proportionately, and all taxpayers should have timely access to HMRC assistance, independent appeal, and redress.
10. **Efficient.** The tax system should raise revenue in a way that minimises unnecessary distortions, compliance burdens, and resource misallocation. While all taxes affect behaviour to some degree, tax design should avoid cliff edges, unintended incentives, or inefficiencies that reduce economic wellbeing unless these serve a clearly defined policy aim.