



TAX TREATMENT OF STABLECOINS AND CRYPTOASSET LOANS & LIQUIDITY POOLS

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ICAEW welcomes the opportunity to comment on draft legislation relating to the tax treatment of stablecoins, a copy of which is available from this [link](#) and cryptoasset loans and liquidity pools available from this [link](#).

KEY POINTS

1. We recommend that key terms and definition in the draft legislation are either made clearer in the law itself or through more detailed explanatory notes.
2. We recommend that HMRC publishes and periodically updates an 'allow list' of instruments it believes would constitute a qualifying stablecoin so that it is easier for the reader to determine which stablecoins are within the scope of the legislation.
3. For individuals, we request that stablecoins are treated as always having been tax-exempt assets so that no taxable gain or loss arises as a result of these rules coming into force.
4. For companies, we propose that qualifying stablecoins are deemed to become loan relationships from the start of the first accounting period commencing on or after 1 April 2027. This should prevent companies needing to carry out valuations of stablecoins twice within a 12-month period.
5. We also propose that any capital losses arising on transition be deemed as loan relationship debits to prevent 'trapped' losses and to provide for an election to be spread any gains over a six-year period.

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This response of 2 September 2026 has been prepared by ICAEW's Tax Faculty.

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GENERAL COMMENTS

1. Both pieces of legislation referred to in this response include definitions which are 'workable' but would require a lot of guidance for the user to determine what was in the mind of the draftsman in preparing them and what Parliament intends if it passes them into law.
2. A particular example is the 'low-risk-of-loss' condition at new s151YB Taxation of Chargeable Gains Act (TCGA) 1992. In applying this condition, in whose eyes do you consider whether the risk is low: a trader in the cryptoasset space, HMRC or someone else? In this example, those engaging in this sector will have a different risk appetite when considering risk to those not familiar with it.
3. Whenever there is uncertainty, it makes it harder for taxpayers to interpret the legislation and for advisers to give advice based on it. Given the proposed introduction of a criminal offence for statements and declarations made recklessly, it is imperative that new legislation is as easy to interpret as possible. This is especially the case given HMRC's suggestion in the related consultation document that the offence could apply where the taxpayer or adviser has not sufficiently reassured themselves of a correct tax treatment.
4. In the absence of legislative definitions and/or clear guidance the approach runs the risk of these matters having to be resolved via tribunals.
5. In addition to detailed HMRC guidance, explanatory notes to the legislation should also make the intent of the legislation clear. In both sets of legislation covered in this response, the explanatory notes generally do not provide much further detail than the legislation nor clarify the meaning of legislative terms and definitions. Explanatory notes must not be viewed by HMRC as an administrative burden. Sufficiently articulate explanatory notes are required to suitably inform the discussion, making it possible for those following to be able to infer the will of Parliament from Hansard. If the difficult aspects are not raised it becomes a matter for the courts, at great time and expense, to resolve. This lack of certainty is contrary to the second of our ten tenets for a better tax system.
6. We therefore recommend that the notes are expanded if they become part of the next Finance Bill so they provide more clarity to Parliament and to other readers of the legislation. The clearer guidance and notes can be, the less likely that cases will need to be tested at the tax tribunals.

STABLECOINS

DEFINITION OF ELIGIBLE STABLECOINS

7. The definition included in new s269A TCGA 1992 contains several subjective terms eg "a sufficient amount of money", "widely available", "a substantial number of persons" and "sufficient frequency and volume". These terms may be hard to interpret, and detailed guidance will therefore be essential for a taxpayer or adviser to determine whether a particular stablecoin falls within this definition.
8. One term that will need explanation is 'of the same type as' in the proposed s269A (7). It is not clear what 'type' means and the explanatory notes do not expand on this any further.
9. We recommend that HMRC publishes and maintain an allow list of stablecoins that meet the definition of a qualifying stablecoins, supported by appropriate guidance on the relevant eligibility criteria. An allow list would provide taxpayers and advisers with greater certainty when determining whether a particular stablecoin falls within the proposed regime. It would also promote consistency in the treatment of stablecoins across the market and reduce the scope for differing interpretations between taxpayers, advisers and HMRC.

10. This is particularly important from a customer perspective to ensure accurate reporting. Under the proposed treatment, returns arising from qualifying stablecoins would be treated as interest, whereas returns arising from non-qualifying stablecoins would generally be treated as miscellaneous income. Clear identification of qualifying stablecoins would therefore help taxpayers and their advisers apply the correct tax treatment and reporting requirements.
11. Given the pace at which stablecoins are issued, amended, and withdrawn, the list should be capable of being updated periodically and should clearly indicate the effective date on which a particular stablecoin is included or removed. HMRC could also set out a process through which issuers or other market participants may provide information supporting *the inclusion of a stablecoin* on the list. We consider that an allow list, combined with clear underlying eligibility criteria, would provide a practical mechanism for implementing the proposed rules while reducing administrative uncertainty for taxpayers.

RECLASSIFYING ELIGIBLE STABLECOINS FROM 6 APRIL 2027

12. We note that the proposed s269B (6) & (7) requires individuals holding eligible stablecoins before 6 April 2027 to treat them as having been disposed of and immediately reacquired at market value before that date. This would then create a taxable gain or allowable loss relating to the rise or fall in value of the asset since its acquisition.
13. As a point of principle, we do not agree with the creation of dry tax charges in the tax system, especially where these arise in circumstances out of the taxpayer's control. Where a cryptoasset holder exchanges an asset for a different cryptoasset, we accept that this is taxable, even though no fiat currency has been acquired, because this arises from a transaction that the taxpayer has initiated. However, we believe this is different where the legislation is updated. It feels counter-intuitive to us that a tax charge arises because an asset has been recategorized as non-taxable.
14. We therefore propose that sub-sections (6) and (7) are removed from the draft legislation (so that the full gain or loss on the eventual disposal of eligible stablecoins is exempt) or that the gain or loss triggered by the deemed disposal is held over until the eventual disposal of the asset concerned. Alternatively, HMRC could provide an option for paying by instalments and there is a precedent for this in inheritance legislation (s228(1)(c), Inheritance Tax Act 1984) where paying all of the tax upfront (with a £20,000 *de minimis*) on unquoted shares would cause 'undue hardship'.

TREATMENT OF ELIGIBLE STABLECOINS AS DEEMED LOAN RELATIONSHIPS

15. The definition included at new s269A TCGA 1992 is to be replicated at s521G Corporation Tax Act (CTA) 2009. It will be necessary for HMRC to include guidance in places where individuals, companies and their advisers will be able to access it.
16. Proposed s521I (6) & (7) indicates that eligible stablecoins become treated as deemed loan relationships on 1 April 2027. This means that companies will need to value their eligible stablecoins as at that date. If they have an accounting period that straddles this date, a further valuation will be required as at the accounting period end date for the purposes of calculating the amount of profit or loss to be recognised in as items of other comprehensive income (OCI) from 1 April 2027 to the end of the period.
17. This proposed rebasing at 1 April 2027 would create an additional compliance burden in the form of multiple valuations of the same asset within the same calendar year (unless the company had a 31 March accounting year-end) and could cause confusion, especially as there will be a mismatch between the debit or credit recognised in OCI and in the company's tax computations.

18. We recommend that the new treatment therefore applies from the first accounting period that starts on or after 1 April 2027. This would prevent gains and losses arising in a transitional period.
19. In addition, where a corporate taxpayer holds eligible stablecoins at 1 April 2027, the revaluation and deemed disposal required under proposed s521I CTA 2009 may give rise to a capital loss for chargeable gains purposes as the asset transitions from being a chargeable asset to a deemed loan relationship. At the subsequent accounting period end date, a further translation valuation will be required under the loan relationship regime, with fair value movements recognised in Other Comprehensive Income (OCI) brought into account as taxable loan relationship credits. This outcome produces an asymmetric mismatch: any capital loss generated on 1 April 2027 becomes trapped within the chargeable gains regime and cannot be offset against subsequent taxable loan relationship credits arising from OCI movements on the exact same asset. As a result, companies could incur a corporation tax liability on loan relationship credits while holding unusable capital losses on the underlying holding, resulting in an inequitable tax outcome.
20. To resolve this structural loss-trapping asymmetry, we set out below three potential legislative solutions, ordered across a spectrum of implementation and administrative difficulty:
21. Option 1 – Deemed loan relationship (LR) debit conversion. Legislative provision could be made to treat any loss arising on the deemed disposal at 31 March 2027 as a deemed LR debit under Part 5 CTA 2009 rather than a capital loss. This solution establishes full symmetry by allowing a deemed transitional debit to be offset against future LR credits arising from OCI fair value movements on the same assets or against general corporate profits under standard LR rules.
22. Option 2 - “No gain / no loss” statutory transition. Transitioning eligible stablecoins into the LR regime on a statutory no gain no loss (NGNL) basis on 1 April 2027 would preserve historical tax base costs, such that any subsequent LR debits and credits are calculated with reference to the original acquisition cost. However, this would lead to a mismatch between accounting values and tax values.
23. Option 3 – Specific statutory set-off provision. Introduce a specific statutory rule permitting capital losses crystallised on 31 March 2027 under proposed s521I CTA 2009 to be carried forward and offset exclusively against subsequent LR credits arising from the same holding of eligible stablecoins.
24. We recommend that HMRC adopts Option 1, as it provides the most effective alignment between fair value accounting and tax treatment while permanently eliminating the risk of asymmetrical tax charges on corporate taxpayers.
25. As mentioned in the section above relating to individuals, we do not agree with the potential dry / cash tax charge (in the form of a chargeable gain) that may arise on companies at the point of transition. As for other changes in legislation where a ‘change of basis’ results in a transitional adjustment, we request that consideration be given to allowing companies to elect to spread any resulting transitional gain over a six-year period, along the lines of s186 CTA 2009.

CRYPTOASSET LOANS AND LIQUIDITY POOLS

MEANING OF “SINGLE CRYPTOASSET LENDING ARRANGEMENTS” ETC

26. As with the definition of stablecoins, the conditions included in the proposed s151YB TCGA 1992 are subjective and could be difficult to interpret in practice. Detailed guidance will be essential, and we recommend that the explanatory notes are expanded when these provisions become part of the Finance Bill so that it is easier for Parliament and other readers of the legislation to understand these provisions.
27. For example, the ‘low-risk-of-loss’ condition requires an assessment of whether it is reasonable to conclude that there is no significant risk that a person will not be able to realise the relevant number of eligible cryptoassets. We recommend that the level of reasonableness should be set with reference to what an industry specialist would expect in a particular situation.
28. Similarly, the ‘widely available’ condition is met if interests in the arrangements are available to be acquired by a substantial number of persons acting independently. What would constitute ‘widely available’ in this situation? Would a listing on a website be sufficient? What if the pricing offered was prohibitive? How many is a substantial number of persons?
29. We also consider that the ‘unconnected parties’ condition at s151YB (4) is drafted unnecessarily tightly. Assuming that the definition of ‘connected’ at s286 TCGA 1992 is used for these purposes, parties would be connected, for example, if they were business partners (s286 (4)) irrespective of whether the assets had any association with the business.
30. The condition is met “if the person who acquires the interest is not connected with any person to whom eligible cryptoassets *may be* transferred as a result of the arrangements” (our emphasis). If the assets are traded publicly, then they may be acquired by anyone, hence it would seem impossible to meet this test in these circumstances.

ACQUISITION OF INTEREST IN SINGLE CRYPTOASSET LENDING ARRANGEMENTS

31. New s151YC (3) TCGA 1992 begins “where the consideration for the acquisition of the interest by the person includes the provisions of any assets...” The explanatory notes say that this only refers to cryptoassets whereas the legislation refers to ‘any assets’. Should the legislation also refer to cryptoassets or is there a reason why this is defined more widely in the legislation?

SCOPE OF CHAPTER 3 SINGLE CRYPTOASSET BORROWING ARRANGEMENTS

32. Under new s151YF (2)(a) TCGA 1992 a “single cryptoasset borrowing arrangement” is defined exclusively as an arrangement where “...the lender transfers qualifying cryptoassets of a particular type to the borrower otherwise than by way of sale...” Because fiat currency (e.g., GBP, USD) is not a “qualifying cryptoasset” under s151YA (3), a credit facility where the principal disbursed to the borrower is fiat does not meet the definition of a Chapter 3 arrangement. Is the exclusion of crypto-collateralised fiat loans deliberate or an inadvertent drafting omission? We recommend that the rationale for this policy decision is covered in the explanatory notes.

APPENDIX 1

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

The tax system should be:

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.

For more information, please see [Ten Tenets for a Better Tax System | ICAEW](#)