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# TAXATION OF STABLECOINS

## Response by Association of Taxation Technicians

### 1 Introduction

- 1.1 The Association of Taxation Technicians (ATT) is pleased to have the opportunity to respond to the HMRC call for evidence on the *Taxation of Stablecoins* ('the Call') issued on 26 March 2026<sup>1</sup>.
- 1.2 The primary charitable objective of the ATT is to promote education and the study of tax administration and practice. We place a strong emphasis on the practicalities of the tax system. Our work in this area draws heavily on the experience of our members who assist thousands of businesses and individuals to comply with their taxation obligations. This response is written with that background.
- 1.3 Our response draws on member feedback and focuses on the implications for individual investors. We received a range of views from members. Some were keen to support the exemption of stablecoins from CGT in order to simplify the use of such coins as intermediate steps in smart contracts, while others were concerned that the proposed changes to CGT on transactions and income tax on returns could create additional complexities which investors may find difficult to manage.
- 1.4 Given the mixed evidence we received, the ATT has not taken a specific position on the taxation of stablecoins. However, we have two overarching comments. Firstly, if changes are made then they should be done so as part of a wider roadmap for changes to the taxation of electronic assets. Secondly, despite the limitations of software, unless a cryptoasset portfolio is very simple, or the number of transactions is very limited, software is often the only practical way to establish the tax position for the year. Further changes to current tax treatment should therefore focus on measures that can be robustly implemented by these third party providers.
- 1.5 In response to question 9, we have noted we would also like to see more guidance in relation to IHT for cryptoassets more generally, not just stablecoins. The focus to date for guidance has been on annual taxes, but if steps are taken to support investment into cryptoassets, including stablecoins, then provisions also need to be made for the specific challenges these assets present on death.

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<sup>1</sup> <https://www.gov.uk/government/calls-for-evidence/cryptoasset-taxation-stablecoins/taxation-of-stablecoins>

## 2 **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?**

- 2.1 The Call highlights that to date, stablecoins have predominantly been used for buying into and selling out of more volatile cryptoassets, and in decentralised finance applications. Members agreed, reporting to us that stablecoins are an inherent part of smart contracts.
- 2.2 A stablecoin smart contract is self-executing blockchain code that automates the issuance, redemption, and transfer of digital tokens pegged to a stable asset, such as the U.S. dollar. Their use in instant settlement, escrow, and compliance with regulations provides a valuable tool which can facilitate smoother trading between parties.

## 3 **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?**
- 3.1 We receive reports of difficulties with calculating gains and losses for tax reporting purposes on all cryptoassets - not just stablecoins. Although many people use third party software to calculate the necessary gains and losses for reporting purposes, we understand that significant manual intervention can often be required which can be costly, especially when a large volume of transactions is involved. Necessary adjustments include amendments to remove transactions identified incorrectly by the software as disposals which are merely transfers to other wallets. Problems can also arise if the number of transactions exceeds the maximum capacity of the software.
  - 3.2 As already noted in the Call, members reported to us that the current CGT treatment represents a significant barrier to the use of stablecoins in everyday retail transactions, as each payment can constitute a taxable disposal requiring record-keeping and valuation. Some members flagged that this level of complexity is disproportionate for low-value, high-volume transactions and has potential to deter both consumers and merchants from adopting stablecoins as a practical means of payment.
  - 3.3 The Call notes that gains on stablecoins denominated in sterling should be fairly negligible, although those denominated in other currencies may result in gains/losses due to foreign exchange movements. Members noted that the use of stablecoins as an intermediate asset when purchasing another cryptocurrency can result in multiple transactions being recorded when the reality is that for economic purposes there is only one transaction.
  - 3.4 For example, if on sale of a coin as part of a smart contract, the value is transferred to a stablecoin as an intermediate step, this first part of the transaction must be reported as a disposal for CGT and stated in sterling. When the stablecoin is then used to acquire the desired end token this creates a further CGT disposal which must also be reported. The result is two transactions are recorded for one economic activity, which risks introducing a distortion that overstates the actual economic activity. This also creates additional administration.
  - 3.5 From a tax perspective, it would be helpful if the value of the stablecoin on acquisition (converted to sterling as required) could be used as the reportable proceeds for the sale of the first token and the base cost of the end token. This could be achieved in smart contracts where stablecoins are used in an intermediate step by either exempting gains on stablecoins - or allowing the disposal of the stablecoin to be on a no gain no loss basis when used as intermediary coin. The use of no gain no loss provisions is

potentially more in line with previous proposals to bring in no gain no loss transactions into the DeFi space but does not resolve the issues with spending stablecoins.

**4 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?**

**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?**

- 4.1 One difficulty reported to us arising from classifying stablecoin returns as miscellaneous income (rather than a type of income taxed with or after savings income), was that those on low incomes cannot benefit from the savings nil rate band when receiving returns on stablecoins.

On the other hand, we also heard that the current miscellaneous treatment is preferred, especially by those who have traditional savings income which already uses up some or all of their savings allowance. Unlike the savings allowance, the trading allowance has the benefit of not being income dependent, which is welcomed by higher and additional rate taxpayers.

**5 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?**

- 5.1 We would like to comment on the wider Inheritance Tax (IHT) position for cryptoassets. HMRC's current guidance on IHT for cryptoassets is limited to confirming that they are property for IHT purposes<sup>2</sup>. We would welcome more detailed guidance on the position where executors are not able to access cryptoasset holdings. We also think that legislative change is needed to allow IHT relief where cryptoassets fall in value after death.
- 5.2 For any cryptoasset there is a risk that, unless the deceased has made arrangements for their private key to be transferred, executors are unable to access some or part of the deceased's holdings. This is a particular problem where assets are not held on an exchange. We have seen commentary suggesting that in these situations, although the cryptoassets will have value on death which HMRC might expect to be reported and subjected to IHT, in order to achieve fairness for the beneficiaries the executors should report a nil value for IHT purposes where the key has been lost and the cryptoassets are irrecoverable. The executors would then report what they have done in the notes to the return. It would be helpful if this issue could be addressed in guidance.
- 5.3 Secondly, although this is generally less relevant to stablecoins, we note that there is currently no form of relief from IHT where cryptoassets are sold by the executors after death for a lower value than the probate value. This contrasts to the position for shares where relief is available for loss on sales by executors made within 12 months of the date of death. (The relief is adjusted if the executors sell shares at a gain in the same window and similar provisions could be included for cryptoassets.)
- 5.4 We consider that similar loss on sales rules to that which applies to shares should be introduced for cryptoassets to ensure fairness.

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<sup>2</sup> <https://www.gov.uk/hmrc-internal-manuals/cryptoassets-manual/crypto25000>

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

- 6.1 If changes are made, we agree that the regulatory definition would be a suitable starting point.
- 6.2 Members did note that any difference in treatment will bring some increased complexity as most investors will hold both stablecoins and other tokens. It will require additional provisions and amendments to software calculators where the individual uses third party software to establish the tax position for their portfolio. We recommend that HMRC confirms with software providers if this would be possible in practice.
- 6.3 As it may be challenging for individual investors to work out if an individual coin meets the definition, it has been suggested to us that it would be helpful if a list of coins accepted as stablecoins and eligible for specific tax treatment could be produced. This would make things easier for investors and potentially crypto calculators. However this would create more work for HMRC and could be challenging to keep up to date, given the speed at which the market evolves. It also risks giving the impression that certain coins are 'HMRC approved'. Assuming that HMRC agrees that the approach of 'white listing' coins is impractical - and given that holders of cryptoassets already have to consider if their holdings are exchange, security or utility tokens for tax purposes - it would be helpful if guidance could be provided on the amount of due diligence required by an individual investor before they treat tokens as stablecoins for CGT purposes and claim any benefits.

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

- 7.1 We heard some support for the proposals to exempt stablecoins from CGT, primarily due to the distortion effect where they are used as an intermediary token in a transaction. It was suggested this could help to encourage the use of stablecoins as a tool for smart contracts and enhance the technological standing of the UK. Exempting small transactions does not resolve this problem.

However, the definition and monitoring of what counted as a stablecoin would need to be strict to avoid the development of coins which purported to be stablecoins but which turn out not have sufficient reserves to function effectively.

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

- 8.1 If changes are made, they should include non-sterling denominated coins to reflect the fact that most of the commonly used stablecoins are denominated in dollars. Restricting the provisions to stablecoins denominated only in sterling would create additional steps in each transaction where coins are swapped from sterling backed, to non-sterling stablecoins. This creates unnecessary complexity for UK based transactions where a stablecoin is used as an intermediary step and again results in distortion where multiple transactions are being reported for what is economically a single swap.

## 9 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?

- 9.1 We received conflicting views from members on this point. Given the similarity to deposits accruing interest, some felt it could be helpful to treat staking returns and other interest-like returns in the same way as interest. Both have an amount deposited for lending and then a time-based return received. This would allow lower earners to benefit from the savings rate. However others expressed a preference for the current regime, preferring use of the trading allowance for miscellaneous income to the savings allowance, and highlighting potential complexities with withholding rules for corporate investors.
- 9.2 We think that if any changes to the treatment of time-based returns from cryptoassets are made, they should apply to all cryptoassets, not just stablecoins. Treating time-based returns for stablecoins differently to time-based returns on other cryptoassets will increase complexity. There is already confusion in the DeFi space where returns are described as 'interest' but taxed as miscellaneous income. Changes which are limited to stablecoins could increase this confusion, and also imposes requirements on software to be able to identify stablecoin returns separately to other returns which we understand could be challenging in practice.

## 10 Contact details

- 10.1 We would be pleased to join in any discussion relating to this consultation. Should you wish to discuss any aspect of this response, please contact [atttechnical@att.org.uk](mailto:atttechnical@att.org.uk).

## The Association of Taxation Technicians

### 11 Note

- 11.1 The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government and academia.

The Association has more than 10,000 members and Fellows together with over 7,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.