



HM Revenue
& Customs

Call for evidence outcome

Taxation of Stablecoins

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This publication is available at <https://www.gov.uk/government/calls-for-evidence/cryptoasset-taxation-stablecoins/outcome/taxation-of-stablecoins>

Executive Summary

Background

Stablecoins are a type of cryptoasset designed to maintain a stable value, usually by reference to a fiat currency like the US dollar.

The government recognises the transformative potential of digital assets and blockchain technologies to drive economic growth in the UK and improve efficiency across financial markets. Stablecoins can play an important role in achieving this.

In July 2025, the government set out its vision for the financial services sector in its Financial Services Growth and Competitiveness Strategy. This includes taking forward work in relation to developments such as tokenised payment instruments, including stablecoins.

Recognising the importance of certainty and predictability in taxation, the government launched a Call for Evidence on 26 March 2026 to gather stakeholders' views on the tax treatment of stablecoins. The Call for Evidence explored the extent to which the current tax treatment remains appropriate as the market develops, including where stablecoins are used more widely as a means of payment, and whether the current rules create administrative burdens for individuals and companies. The government considers it important that tax does not act as a deterrent to the adoption of stablecoins in the UK.

The government received 29 formal written responses from a range of stakeholders, including businesses, tax professionals, representative bodies, financial services firms, cryptoasset firms, software providers, and individuals.

The government is grateful to all respondents for their constructive engagement and valuable contributions.

Overarching feedback

Respondents unanimously supported the government's decision to consider reforming the tax treatment of stablecoins. Stakeholders agreed that stablecoins could become more significant in payments and financial markets, and that the tax system should provide sufficient certainty for users while protecting the Exchequer and maintaining fairness between stablecoins and other assets.

There was agreement that tax reform would be welcomed and could encourage the use of stablecoins more widely, although views differed on the precise design. A large majority of respondents favoured treating stablecoins more like money for certain aspects of Capital Gains Tax (CGT), Income Tax and Corporation Tax. In particular:

- a CGT exemption would reduce compliance burdens on payments
- treating returns from stablecoin lending as interest for Income Tax would align the treatment with savings income, and reduce the scope for arbitrage
- bringing stablecoins into the loan relationship rules for Corporation Tax would provide certainty for companies and align the treatment with debts and foreign currency balances

Respondents broadly supported aligning the tax definition with the regulatory definition, provided taxpayers had certainty of treatment. They overwhelmingly considered that non-sterling stablecoins should be included in any changes, noting that USD-denominated stablecoins currently dominate UK usage, and that sterling-only reform would achieve little in practice. They also considered it important that taxpayers should be able to identify eligible stablecoins easily.

This document summarises the responses received, sets out the key themes identified by respondents, and explains the government's response to the evidence provided, including where views differed.

Next steps

In light of the responses received, the government has decided that it will bring forward legislative changes to treat eligible stablecoins more like money for

CGT, Income Tax and Corporation Tax.

Further to a Summary of Responses

(<https://www.gov.uk/government/consultations/the-taxation-of-decentralised-finance-involving-the-lending-and-staking-of-cryptoassets/outcome/the-taxation-of-decentralised-finance-defi-involving-the-lending-and-staking-of-cryptoassets-summary-of-responses>) published at Budget 2025, the government has also decided that it will bring forward legislative changes in respect of cryptoasset loans and liquidity pools.

Both measures will be included in Finance Bill 2026-27. The government has published draft legislation alongside this response document for an eight-week technical consultation and welcomes comments to ensure the legislation works as intended.

As set out below, the government is continuing to assess:

- the application of withholding tax to the lending and borrowing of stablecoins
- whether the new rules for cryptoasset loans and liquidity pools should have retrospective effect for a limited period

2. Introduction

The Call for Evidence, Taxation of Stablecoins

(<https://www.gov.uk/government/calls-for-evidence/cryptoasset-taxation-stablecoins/taxation-of-stablecoins>), was published on 26 March 2026 and closed on 7 May 2026.

In total, 29 written responses were received from a range of stakeholders, including businesses, tax professionals, representative bodies, financial services firms, cryptoasset firms, software providers, and individuals. In addition, HMRC has held roundtables and bilateral discussions with stakeholders to discuss the issues raised in the Call for Evidence.

This document provides a summary of the responses received and sets out the government response. The government is grateful to those who provided written feedback and participated in focused roundtable meetings and other discussions with HMRC.

In light of the responses received, the government has announced at Legislation Day 2026 that it will make legislative changes to treat eligible

stablecoins more like money for tax purposes. This will be included in Finance Bill 2026-27 and will take effect from April 2027.

3. General comments

Respondents overwhelmingly welcomed the Call for Evidence and supported the government considering whether the current tax treatment of stablecoins remains appropriate as the market develops. Many respondents described stablecoins as no longer being a niche part of the cryptoasset market, but an increasingly important part of digital financial infrastructure, with a number of potential use cases.

There was a recognition that the UK is taking a forward-thinking approach in this area, with the proposed reforms supporting the government's ambition for the UK to be a global leader in digital assets. Some respondents commented that the reforms in this area should be developed in conjunction with the wider stablecoin work being carried out by HM Treasury, the Financial Conduct Authority and the Bank of England.

All the respondents supported some kind of reform in respect of the tax treatment applied to stablecoins, citing uncertainty, complexity and administrative burden under the current rules. Respondents generally favoured a tax framework that treats stablecoins in line with their commercial and operational role as a medium of exchange, rather than as an investment asset. Broadly, they considered this should mean parity with fiat currency, including alignment with non-sterling fiat currencies for non-sterling denominated stablecoins.

Though the desire for change was unanimous, there were some differing views in terms of the design of the new rules in certain areas; this is covered in more detail in the relevant sections below.

A recurring theme among respondents was that reform would need to be carefully considered alongside any wider reforms to the taxation of cryptoasset loans and liquidity pools, given the widespread use of stablecoins within those arrangements.

4. The current position

The current market

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?

Respondents emphasised that the use of stablecoins is rapidly developing and they are becoming a more significant part of the digital asset ecosystem and financial market infrastructure.

Respondents identified a range of current and emerging use cases for stablecoins:

- currently the primary use of stablecoins is in cryptoasset trading and decentralised finance (DeFi), where stablecoin tokens are frequently used in lending, borrowing, collateralised lending, market-making, and serve as base assets on decentralised exchanges and in liquidity pools. In this context, stablecoins function as a core settlement and collateral asset
- however, stablecoins are increasingly being used beyond cryptoasset trading, particularly in cross-border payments, settlement payments and corporate treasury functions. For example, reference was made to their use in payroll, merchant settlement, tokenised assets and investment funds

Respondents noted that there is limited use of stablecoins for retail payments currently, although some noted that global payment companies are developing their own stablecoin-enabled card spending programs.

Many respondents emphasised that the stablecoin market is global in nature. They noted that the market is currently dominated by US dollar-denominated stablecoins, and that most stablecoins used in practice are non-sterling denominated and non-UK issued.

Respondents also commented on the diversity of stablecoin models, with reference made to fiat-backed stablecoins, algorithmic stablecoins, synthetically backed stablecoins, and other emerging instruments. Several respondents considered that algorithmic stablecoins are materially different from fiat-backed stablecoins, and carry higher intrinsic risk.

Some respondents referred to international developments. These included regulatory developments with the Markets in Crypto-Assets Regulation

(MiCAR) in the European Union and the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act in the United States. There was also the treatment of certain stablecoins under international reporting frameworks such as Crypto-Asset Reporting Framework (CARF) and Common Reporting Standard (CRS) from the Organisation for Economic Co-operation and Development (OECD). These respondents generally considered that the UK has an opportunity to provide greater certainty and to develop a tax framework that is aligned with both the economic function of stablecoins and the UK's wider regulatory approach.

Capital Gains Tax (CGT)

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?

Respondents overwhelmingly considered that the current CGT treatment of stablecoins causes administrative difficulties for individuals. The main concern raised was that each use of a stablecoin can constitute a disposal for CGT purposes, requiring individuals to record acquisition costs, disposal values and sterling valuations even where the economic gain or loss is negligible.

Many respondents described this burden as disproportionate to the underlying economic activity which does not exist for equivalent fiat currency payments.

Respondents generally agreed that the current CGT treatment is likely to deter adoption of stablecoins for payments and other mainstream use cases. Some respondents considered that the treatment may not currently deter stablecoin use because many users are unaware of the tax consequences, but that it would become a deterrent once users understand the compliance obligations. Others considered that the current treatment could discourage innovation or divert activity to other jurisdictions.

A number of respondents highlighted that the issue would become more significant if stablecoins were adopted more widely for retail payments, remittances, card payments, freelance payments or cross-border transfers. Respondents considered that requiring individuals to track CGT disposals in these contexts would be unrealistic for ordinary users. One respondent noted that they believed informed users would either avoid stablecoins entirely or remain non-compliant due to the inherent complexity involved.

Several respondents noted that tax software may assist some users, particularly those already active in cryptoasset investment or DeFi. However, respondents also said that reliance on software would not be a complete solution, as ordinary retail users are unlikely to use such software, and some software may not deal accurately with high volumes of transactions or UK tax rules without manual review.

Income Tax

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?

Note: The treatment of interest-like returns is covered under Question 8 below and is not covered here.

There was general agreement between respondents that the Income Tax treatment of stablecoins causes fewer problems than the CGT treatment.

A small number of respondents highlighted some specific issues:

- individuals receiving stablecoins as employment income may not be aware of CGT requirements where the stablecoin is not immediately converted into fiat currency
- valuation challenges can arise when remuneration is paid in non-sterling stablecoins
- stablecoins are treated differently to cash in respect of both carried interest average holding period and offshore funds rules
- in the DeFi context, timing issues can arise between when the income is earned and when the income is received, necessitating a CGT computation

Corporation Tax

Question 4: Currently, how do companies typically account for stablecoins in practice? Please specifically include references to USDT and USDC,

two of the major stablecoins in the current market, as well as other common stablecoins used by companies.

Respondents generally observed that there is currently no dedicated accounting standard for stablecoins, resulting in diversity in practice. Companies therefore apply existing accounting standards based on the particular facts and circumstances, including the rights attached to the stablecoin and the purpose for which it is held.

Several noted that the same stablecoin could be accounted for differently by different companies, reflecting differences in business models, purpose of holding the asset and how it was acquired. These respondents considered that this creates uncertainty and can produce a disconnect between accounting treatment and the operational or economic use of the stablecoin.

In terms of the specific accounting that might be adopted:

- respondents generally agreed that accounting for stablecoins as an intangible asset was the most common treatment, but accounting as a financial asset or as inventory was also possible
- there were a range of views on whether stablecoins meet the definition for a financial asset. Several respondents considered this may be appropriate where the holder has contractual rights to receive cash against the issuer. Others noted that the conditions for such treatment may not be met, depending on the stablecoin's precise legal and contractual features
- a few respondents commented that stablecoins do not usually meet the criteria for recognition as cash

One respondent suggested that accounting standards should be updated to address the treatment of stablecoins.

A small number of respondents specifically commented on USDC and USDT, although respondents did not put forward a definite classification for them, and did not give categorical answers as to how they are treated.

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?

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)?

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?

Respondents noted that the Corporation Tax treatment of stablecoins can depend on the accounting treatment, the legal rights attached to the stablecoin, the way in which it was acquired, and the purpose for which it is held. They considered that the current treatment creates uncertainty for companies and that it was difficult for companies to determine the correct treatment with confidence. It also meant that economically similar transactions can be taxed differently.

A few respondents commented that this uncertainty and legal risk is itself a deterrent to corporate adoption of stablecoins. Companies may need external tax advice even where they have in-house tax expertise, and that this cost may be particularly prohibitive for smaller companies. Others commented that the uncertainty may not prevent all corporate use where the commercial benefits are significant, but would be a relevant factor in adoption decisions.

Respondents commented that the chargeable gains treatment was seen as the default or conservative position where no other regime clearly applies. Around half of respondents raised concerns about chargeable gains treatment, with companies needing to calculate gains and losses on individual transactions, including foreign exchange movements, rather than applying a simpler aggregate or accounting-based approach. Respondents considered this to be burdensome, with one noting that it is economically equivalent to moving money between bank accounts or holding foreign currency. A few respondents highlighted that the use of capital losses is much more restricted. They also commented that in such cases, any returns from lending stablecoins would normally be treated as miscellaneous income, creating mismatches with economically similar fiat lending.

Respondents did note that, in certain cases, a stablecoin might constitute a money debt. A consistent theme was that direct redemption rights with the issuer are central to the analysis.

Stablecoin lending was not generally treated as lending money. As a result, the lending of stablecoin may potentially trigger a chargeable gains disposal, with a right to stablecoin acquired and later disposed of, creating complexity and diverging from the treatment of fiat lending. This can place stablecoins at a disadvantage compared with fiat equivalents.

For Question 6, there was general agreement among those that answered this question that both scenarios are possible, with the second scenario — a financial asset but not a loan relationship — generally seen as more common.

Interest-like returns

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?

Respondents expressed mixed views on the contrasting treatment between interest-like returns generated from stablecoins and interest on fiat currency debt. References were made specifically to the availability of the Personal Savings Allowance (PSA) for interest on fiat savings and the Trading and Miscellaneous Income Allowance (TMIA) for interest-like returns on stablecoins.

Many respondents considered that the current difference in treatment can create unfairness, complexity and/or distortions where stablecoin arrangements are economically similar to fiat lending. Taxpayers may also find the current treatment counterintuitive, potentially leading to incorrect reporting. They noted that it would be more logical for interest-like returns on stablecoins to be eligible for the PSA instead.

However, some respondents considered that the current treatment as miscellaneous income is well understood and simple to apply. They observed that the availability of the TMIA was welcomed and meant fewer individuals needing to be within Self-Assessment.

For companies, several respondents said the current treatment is less coherent than for fiat lending: interest on fiat lending falls within loan relationships, whereas stablecoin returns may be taxed as miscellaneous income. Some also noted wider effects, including impacts on group relief and the corporate interest restriction regime.

Just under half of respondents referred to withholding tax. These respondents broadly highlighted concerns about the inconsistent application of withholding tax across commercially equivalent fiat currency and stablecoin lending transactions, with some noting the potential planning opportunities that may therefore arise.

It was also noted that difficulties in relation to withholding tax could occur where an overseas jurisdiction treats the payment differently, potentially making it difficult to obtain credit for withholding tax.

Other taxes

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?

Respondents raised fewer concerns about other taxes than they did in relation to CGT, Income Tax and Corporation Tax. However, some issues were highlighted.

VAT was the most commonly raised area. The comments were framed in the context of stablecoins, but potentially apply to cryptoassets more generally.

Several respondents said that there is uncertainty over whether transfers of stablecoins should be treated as payments or as supplies for VAT purposes, and whether financial services exemptions apply to stablecoin-related activities.

Some respondents asked for clearer guidance on operational VAT issues. These included how to identify the consideration for a supply, how to determine the place and timing of supply, the basis for conversion to sterling for non-sterling stablecoins, and how VAT should apply where integrated services are provided. A few respondents said that explicit confirmation that stablecoins are treated as currency would be helpful.

One respondent raised further points around VAT, including how VAT applies to fees, whether the provision of integrated services such as custody and transfers counts as one service or multiple, the treatment of peer-to-peer versus intermediated transactions, and how to identify a supplier in a decentralised finance arrangement.

A number of respondents raised points on stamp taxes on shares. One respondent said that the future stamp taxes on shares framework should be monitored to ensure it applies predictably where stablecoins are used. Another asked for confirmation that qualifying stablecoins would not be treated as chargeable securities under the existing Stamp Duty or Stamp Duty Reserve Tax (SDRT) framework.

Additional points made by individual respondents included:

- if a stablecoin is legally a debt, this could have implications for where it is situated (its 'situs') for CGT and Inheritance Tax (IHT)
- practical employment tax issues can arise where remuneration is paid in USD-denominated stablecoins, requiring employers to estimate sterling values and recover Income Tax and National Insurance Contributions (NICs) through Pay As You Earn (PAYE).
- Making Tax Digital concerns were raised, noting that more crypto users will be brought into scope and that current systems may struggle with high transaction volumes without effective data aggregation tools
- clarity was sought on whether stablecoins or stablecoin-denominated fund interests can be held within tax-advantaged wrappers such as ISAs

Government's response

The government is grateful for the points raised and will engage with stakeholders as appropriate, as well as reviewing relevant guidance.

5. Potential options for reform

Core definition

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

Responses to this question were near-unanimous that the regulatory definition was a good starting point for defining which stablecoins should be included in any tax reforms. However, there were mixed views as to whether it needed further modification.

Respondents said that the definition should not be limited to UK-issued stablecoins, noting the global nature of the market and that widely used stablecoins are typically issued overseas. They considered that restricting tax reform to UK-issued stablecoins would significantly limit its practical effect and suggested a jurisdiction-neutral definition. However, a few respondents advocated a narrower definition, suggesting it should only apply where the stablecoin is regulated in the UK or is subject to a similar regulatory regime to the UK.

There were mixed responses in terms of whether over-collateralised algorithmic stablecoins should be included in the definition, with some suggesting they should as they serve the same function, while others highlighting that these were less likely to maintain stability than asset-backed stablecoins.

Roughly half of the responses suggested that it would be beneficial for HMRC to publish a list of stablecoins that were confirmed to be within the definition to provide certainty for taxpayers.

One respondent suggested aligning the definition with the CRS 2.0 definition of specified electronic money products (SEMP) to avoid inconsistent reporting treatment.

Two respondents considered that bitcoin plays a similar role to stablecoins in terms of usage for payments, and argued that any tax reforms should also treat bitcoin more like money.

Government's response

The government agrees that the regulatory definition of qualifying stablecoins can be used as a basis for the tax treatment of stablecoins, and considers that a broad definition should be used to include a range of different models. However, the government does not consider that unbacked algorithmic stablecoins should fall within any new rules. The government considers there should be substantial assets held backing the stablecoin to support its value.

The government understands the points raised about ensuring that taxpayers are able to assess whether particular cryptoassets fall to be eligible stablecoins for this purpose, and will take this into account when drafting the legislation. In addition, HMRC will look to assist taxpayers by setting out in guidance its view of whether the largest stablecoins currently in use are eligible stablecoins.

The government does not consider the SEMP definition used for CRS 2.0 to be appropriate for these changes, given the definition is relatively restrictive in relation to stablecoins.

The government considers that bitcoin, and other cryptocurrencies, are not comparable to stablecoins and should not be included in the scope of changes.

Capital Gains Tax

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

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

For Question 11, around 80% of respondents expressing a view supported a CGT exemption for stablecoins. They considered that this was the best approach, would have the biggest impact in respect of the current administrative burden, and would give parity with fiat currency.

A few respondents that expressed that view suggested that the exemption should only apply in situations where the stablecoin was used for payments, with the inference that it would not apply where the stablecoin was used for other purposes such as cryptoasset investment activity.

The remaining 20% of respondents expressed some reservations with the full CGT exemption and instead suggested a “no gain, no loss” treatment. Our understanding of this suggestion is that where a stablecoin is used to purchase a chargeable gains asset (e.g. other cryptoassets), then any gain or loss on the stablecoin is rolled-over into the base cost of the new asset. Where, however, the stablecoin is otherwise disposed of (e.g. for sterling currency or as settlement of an obligation) any gain or loss would simply be exempt.

They highlighted two potential benefits: (i) that taxpayers would still be able to claim a capital loss in the event a stablecoin fell significantly from its par value; and (ii) they believe it would make the interaction with the proposed new rules on cryptoasset loans and liquidity pools simpler.

One respondent suggested that bespoke rules may be needed to ensure that any exemption is disapplied where a taxpayer seeks to make a gain on a

stablecoin that has dropped against its par value.

Nearly all respondents considered the de minimis transaction approach would not reduce friction sufficiently and did not see it as a viable option. One respondent considered that it should be applied for non-sterling stablecoins, with a full CGT exemption for sterling-stablecoins.

For Question 12, there was near-unanimous support for non-sterling denominated stablecoins to be included in any reforms. Many respondents highlighted that USD stablecoins make up the vast majority of the stablecoin market, and not including them would mean the impact of the reforms would be very limited. Some respondents cited the treatment of foreign currency bank accounts, noting that exempting non-sterling denominated stablecoins would achieve the same practical effect and provide parity of treatment with foreign fiat currency.

Government's response

The government agrees with the majority of respondents that a full CGT exemption is the preferred approach for the taxation of eligible stablecoins for individuals. This alleviates the administrative difficulties where stablecoins are used for payments, and aligns the treatment with foreign currency bank accounts and simple debts.

The government considers that it would not be viable to apply the exemption selectively – for example, to stablecoins used as payment for goods and services, but not in other cases. Individuals may not know, when they initially acquire stablecoins, how they will ultimately be used, and so base cost tracking would still be required. In addition, basing the tax treatment on the end use of the stablecoin would open up tax planning and avoidance opportunities.

The government recognises that making eligible stablecoins exempt from CGT means that both economic gains are not taxed and economic losses are not relieved.

The government considers that the 'no gain, no loss' treatment put forward by some respondents is not an appropriate potential approach for stablecoins. In particular, it would give taxpayers a choice, such that gains could be exempted (e.g. through direct conversion into fiat currency) while losses could be relieved (e.g. through conversion into other cryptoassets before conversion into fiat currency). This would create tax planning and tax avoidance opportunities, giving rise to unacceptable Exchequer risks as well as complexity for taxpayers.

The government considers it would not be appropriate to provide specific tax relief in cases where the stablecoin has dropped away from its par value,

whether temporarily or permanently. Such treatment would effectively mean the government partially underwriting losses on stablecoins.

The government recognises that the current market is heavily weighted towards non-sterling, fiat currency stablecoins, and will include these in the reforms. This will give the same practical treatment as non-sterling fiat currency held in a bank account.

Income Tax

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

Note: The treatment of interest-like returns is covered under Question 16 below and is not covered here.

The vast majority of respondents said that there were no changes needed to how stablecoins are treated for Income Tax purposes.

A few respondents did suggest some limited changes:

- several suggested that clarification is needed on the timing of income recognition in respect of stablecoin returns, for example in lending and staking transactions
- one suggested that stablecoins should be treated in the same way as cash in the context of the investment fund rules

Government response

The treatment of interest-like returns is considered under Question 16 below. The government agrees that, beyond that, no significant changes to the Income Tax treatment are needed.

The government will continue to keep the use of stablecoins in investment funds under review.

Corporation Tax

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

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?

Of the respondents that answered Question 14, there was unanimous support for stablecoins to be brought into the loan relationships regime. Respondents generally agreed that this offered the most simplicity, and gave the benefit of companies being able to follow their accounts.

There were differing views as to the best way to achieve this. Some suggested deeming stablecoins to be loan relationships or money debts, while others were in favour of deeming them to be money. Respondents generally preferred stablecoins to be brought directly into Part 5 CTA 2009, as opposed to through Part 6 CTA 2009, though a small number advocated for that approach, citing the potential for additional design flexibility.

Those who expressed a view supported HMRC providing clarification that a cryptoasset can fall to be an instrument issued for the purposes of representing security on a debt for the purposes of s303(3) CTA 2009.

One respondent highlighted some wider potential issues for consideration: categorisation of stablecoins for thin capitalisation principles under transfer pricing, application of the hybrid capital instruments rules and the application of corporation interest restriction.

Those that responded to Question 15 were unanimously against having an accounting-based limitation. They argued that for stablecoins the tax treatment needs to be decoupled from the accounting treatment, given the inconsistent application of various accounting standards. All respondents that addressed the point around amounts in Other Comprehensive Income (OCI) were in favour of having a rule that ensured those amounts are taxed.

Government's response

The government agrees that there are benefits in bringing transactions involving eligible stablecoins into the loan relationship provisions. In particular, eligible stablecoins will be treated as giving rise to a money debt and the lending of eligible stablecoins will constitute a transaction for the lending of money for the purposes of the loan relationship rules. More generally, the rules

will be clarified to ensure the issuance of a cryptoasset can constitute an 'instrument issued' for the purposes of section 303(3) CTA 2009.

A rule will be introduced to ensure that where an eligible stablecoin is accounted for as an intangible asset, any amounts recognised in OCI will be brought into account for the purposes of the loan relationship rules.

Interest-like returns

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?

Over two thirds of respondents who expressed a view were in favour of interest-like returns being treated in the same way as actual interest for individuals. They considered that this was the correct principled approach in terms of tax neutrality and aligning economic substance with policy design.

The other third of respondents expressing a view disagreed and preferred the current treatment. They saw practical benefits from falling within the TMIA which was typically beneficial for taxpayers and avoided the need to separate out stablecoin returns from other cryptoasset returns.

Some respondents cautioned against treating all stablecoin returns as interest. These respondents suggested drawing a clear distinction between returns on stablecoins arising from lending arrangements that are economically similar to fiat lending and those arising from other uses, such as DeFi activities (including staking, liquidity provision, and automated market makers), where returns are not necessarily 'interest-like.' They argued that only the former should be treated as interest for tax purposes, while the latter should not, given their differing economic characteristics.

A small proportion of respondents raised concerns about applying withholding tax to stablecoin returns, noting practical difficulties such as how withholding obligations could work in centralised and decentralised finance settings as well as potential difficulties about the interaction with double taxation treaties.

Government's response

The government agrees with the majority of respondents that individuals should be taxed on interest-like returns from the lending of eligible stablecoins in the same way as interest on fiat currency savings. This would apply to loans

of eligible stablecoins and Single Cryptoasset Lending Arrangements over eligible stablecoins. It would not apply to Automated Market Making Arrangements where the returns may not necessarily be equivalent to interest.

In relation to the application of withholding tax, the government recognises the points raised, but notes the challenges that differential treatment for stablecoins would pose and the importance of protecting the Exchequer. The government will continue to engage with stakeholders and consider approaches to withholding tax and base protection in this context.

Other issues

Interaction with cryptoasset loans and liquidity pools

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.

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?

Responses to Question 17 were generally similar, with nearly all stating that stablecoins are extensively used in liquidity pool arrangements and are seen as the primary liquidity layer in such arrangements. Many noted that stablecoins represented a significant proportion of ‘total value locked’ across major decentralised protocols such as Uniswap and Curve.

A recurring theme in the responses to Question 18 was that any reforms relating to stablecoins should be considered carefully alongside proposed reforms for cryptoasset loans and liquidity pools.

Several respondents noted that the key aspect would be the boundary between exempt and non-exempt assets. The majority of those who responded considered that ‘no gain no loss’ treatment should not allow gains and losses to roll-over between exempt and non-exempt assets.

Those respondents that advocated for a ‘no gain, no loss’ treatment for stablecoins (see Question 12 above) considered that this would make the interaction with liquidity pools more straightforward, such that there would be no need to consider the interaction of exempt and non-exempt assets in that context — the base cost will simply flow through to the acquired asset under ordinary CGT principles.

One respondent suggested a full exemption would make things difficult for software providers because manual interventions would be needed at the exempt/non-exempt boundary.

There were mixed responses among those that commented on the need for anti-avoidance provisions, with some respondents suggesting that targeted rules could offer Exchequer protection, and others arguing that additional rules would add uncertainty and a well-drafted rule addressing the boundary should be sufficient.

Government’s response

The government agrees with the comments about needing to ensure that gains and losses on exempt assets cannot be rolled over into non-exempt assets and vice versa. As a result, the following modifications to the proposals on the treatment of cryptoasset loans and liquidity pools will be made:

- **Single Cryptoasset Lending Arrangements** — Where a Single Cryptoasset Lending Arrangement is over an exempt asset, the arrangement is also treated as exempt for CGT. As a result, the “no gain, no loss” treatment does not apply in such a case
- **Single Cryptoasset Borrowing Arrangements** — Where an individual borrows cryptoassets that are an exempt asset, these will continue to be exempt. In effect, no chargeable gain or loss will arise in respect of the obligation to return the cryptoassets
- **Automated Market Making Arrangements** — Where an Automated Market Maker Arrangements includes an exempt asset, this does not result in any part of the Automated Market Maker Arrangements being exempt. Where an individual uses an exempt asset to invest in, or divest from, an Automated Market Making Arrangements, the “no gain, no loss” treatment will not apply to that element

The government understands why some respondents proposed a ‘no gain, no loss’ approach in relation to stablecoins. However, as explained above, this

approach would give rise to unacceptable Exchequer risks.

The government will ensure that there is anti-avoidance protection across the rules dealing with cryptoasset loans and liquidity pools.

As set out in the Summary of Responses

(<https://www.gov.uk/government/consultations/the-taxation-of-decentralised-finance-involving-the-lending-and-staking-of-cryptoassets/outcome/the-taxation-of-decentralised-finance-defi-involving-the-lending-and-staking-of-cryptoassets-summary-of-responses>) published at Budget 2025, the government received representations that potential new rules for cryptoasset loans and liquidity pools should be adopted retrospectively. This remains under consideration.

6. Next steps

In parallel with this Summary of Responses, the government has published draft legislation covering:

- the taxation of stablecoins
- cryptoasset loans and liquidity pools

The draft legislation is subject to an eight-week technical consultation and the government welcomes comments to ensure the legislation works as intended. The government will continue to engage with stakeholders on the changes.

Both of these measures will be included in Finance Bill 2026 to 2027.

As set out above, the government will continue to consider:

- the application of withholding tax to the lending and borrowing of stablecoins
- whether the new rules for cryptoasset loans and liquidity pools should have retrospective effect for a limited period

Annex A: List of stakeholders consulted

Aave Labs

Addleshaw Goddard

Andersen LLP

Association of Tax Technicians (ATT)

Avian Labs Ltd

BHODL plc

Binance

Bitcoin Policy UK

Chartered Institute of Taxation (CIOT)

Circle Internet Financial LLC

ClearBank Ltd

Cross-consortium of seven trade and professional bodies

CryptoUK

Digital Currencies Governance Group

Global Digital Finance

Institute of Chartered Accountants in England and Wales (ICAEW)

Innovate Finance

The Investment Association

Myna L2 Accountancy

Nephos Group

Paradigm

Plasma Labs UK Ltd

PricewaterhouseCoopers

Recap Technologies Limited (together with five UK tax practices)

Society of Trust and Estate Practitioners (STEP)

Travers Smith LLP



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