

HMRC internal manual

Cryptoassets Manual

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(/hmrc-internal-manuals/cryptoassets-manual/updates)

CRYPTO21250 - Cryptoassets for individuals: Income Tax: airdrops

An airdrop is where someone receives an allocation of tokens, for example as part of a marketing or advertising campaign in which people are selected to receive them. Other examples of airdrops may involve tokens being provided automatically due to other tokens being held or where an individual has registered to become eligible to take part in the airdrop.

The airdropped tokens, typically, have their own infrastructure (which may include a smart contract, blockchain or other form of distributed ledger technology) that operates independently of the infrastructure for an existing cryptoasset.

Income Tax will not always apply to airdropped tokens received in a personal capacity. Income Tax may not apply if they're received:

- without doing anything in return (for example, not related to any service or other conditions)
- not as part of a trade or business involving cryptoasset exchange tokens or mining

Airdrops that are provided in return for, or in expectation of, a service are subject to Income Tax either as:

- miscellaneous income
- receipts of an existing trade

The disposal of a token received through an airdrop may result in a chargeable gain for Capital Gains Tax, even if it's not chargeable to Income Tax when it's received. Where changes in value get brought into account as part of a computation of trade profits Income Tax will take priority over Capital Gains Tax.

← **Previous page**

(/hmrc-internal-manuals/cryptoassets-manual/crypto21200)

→ **Next page**

(/hmrc-internal-manuals/cryptoassets-manual/crypto21300)



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