HMRC internal manual

Cryptoassets Manual

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CRYPTO41100 - Cryptoassets for businesses: Corporation Tax: loan relationships

The loan relationship rules (Corporation Tax Act 2009 Part 5) explain how Corporation Tax is charged on the profits and deficits a company makes from its loan relationships. The rules discussed below do not apply for Income Tax purposes.

A company has a 'loan relationship' if it has a money debt that has arisen from a transaction for the lending of money. This will be the case where it has lent or borrowed money.

More information about the loan relationship rules is in CFM30000 (https://www.gov.uk/hmrc-internal-manuals/corporate-finance-manual/cfm30000).

HMRC does not consider exchange tokens to be money. In addition, there is typically no counterparty standing behind the token and, as such, it does not seem that the token constitutes a debt. This means that exchange tokens do not create a loan relationship.

In addition, there are rules (Corporation Tax Act 2009 Part 6) that bring certain other items into the loan relationship rules. These rules will not generally apply to exchange tokens. In particular no money debt will typically exist and it is HMRC's view that exchange tokens do not constitute currency. More information about deemed loan relationships is in CFM40000 (https://www.gov.uk/hmrc-internal-manuals/corporate-finance-manual/cfm40000).

Acquiring exchange tokens

The acquisition of exchange tokens generally does not involve entering into a loan relationship. This is because there is usually no one backing the exchange token and therefore there is no money debt.

As a result, there is no loan relationship in relation to the exchange token and so the loan relationship provisions do not apply.

Loans backed by exchange tokens as securities/collateral

If exchange tokens have been provided as collateral/security for an ordinary loan (of money), a loan relationship exists and the loan relationship rules will apply (whether the company is the debtor or creditor).

Loans of exchange tokens

If exchange tokens are loaned – as opposed to traditional currency - it is unlikely that this would constitute a loan relationship. In particular, given that the tokens would not represent an amount of currency/money:

- there would not be a money debt
- there would not have been a transaction for the lending of money

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