

HMRC internal manual

Cryptoassets Manual

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CRYPTO61675 - Decentralised Finance: Lending and staking: Chargeable Gains: Examples: Example 5: disposal when a borrower's collateral is liquidated

Lucas holds 100 tokens with a total acquisition cost of £500. Lucas provides the 100 tokens as collateral to a Decentralised Finance (DeFi) lending platform and then takes out a loan.

During the term of the loan, the market price of the borrowed tokens falls. On 01/07/20XX the price of the borrowed tokens falls to the point where a liquidation of some of Lucas's collateral occurs. 10 of the tokens given by Lucas to the DeFi lending platform as collateral get transferred to a liquidator, along with 1 additional token as the penalty. The tokens have a market value of £6 each at the time of the liquidation.

Lucas's Chargeable Gains (CG) computation of this disposal will be as follows:

		£
Consideration	11 x £6	66
Allowable costs	Section 104 pool – £500 x 11 / 100	(55)
Gain	.	11

Lucas's section 104 pool will be adjusted as follows:

Date	Quantity of tokens	Allowable costs (£)
Opening balance	100	500
01/07/20XX	(11)	(55)
Closing balance	89	445

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