

Call for Evidence – Taxation of Stablecoins Response by the Chartered Institute of Taxation

1. Executive Summary

- 1.1. The Chartered Institute of Taxation (CIOT) is the leading professional body in the UK for advisers dealing with all aspects of taxation. We are a charity and our primary purpose is to promote education in taxation with a key aim of achieving a more efficient and less complex tax system for all. We draw on the experience of our 20,000 members, and extensive volunteer network, in providing our response.
- 1.2. We welcome the opportunity to respond to this call for evidence, recognising the rapidly increasing use of stablecoins globally and the need for their tax treatment to be clear, fair and as simple as possible to apply in practice.
- 1.3. Our primary concern is that the existing CGT framework results in significant administrative burdens, especially where stablecoins are used repeatedly without any real-world economic gain or loss. This complexity risks deterring legitimate use of stablecoins, including for retail payments, and create compliance challenges for taxpayers and HMRC alike.
- 1.4. We believe that simplifying the CGT rules to treat stablecoin transactions as taking place at no gain/no loss would have a noticeable impact, benefitting taxpayers in understanding and reporting their tax position and removing some of the deterrent to their use.
- 1.5. Conversely, we consider the current income tax treatment of stablecoins to be broadly workable and do not see a compelling argument to reform the current tax treatment of interest-like returns as miscellaneous income.
- 1.6. The use of stablecoins by companies is still relatively uncommon, reflecting the limited feedback of our feedback in this area. As such, our response does not include comments on the taxation or accounting treatment of stablecoins for companies.

2. About us

- 2.1. The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.

- 2.2. The CIOT’s work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.
- 2.3. The CIOT draws on our members’ experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.
- 2.4. Our members have the practising title of ‘Chartered Tax Adviser’ and the designatory letters ‘CTA’, to represent the leading tax qualification.

3. Introduction

- 3.1. Stablecoins are becoming an integral part of the cryptoasset market, commonly used to facilitate transactions and manage exposure to volatility. Although they differ in form from fiat currency, their intended stability and practical use can blur the distinction for taxpayers, particularly individuals.
- 3.2. Our comments focus primarily on CGT and income tax, and on how the tax system might better balance accuracy, simplicity and practicality as stablecoin use continues to develop.

4. CIOT response to call for evidence questions

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?

The call for evidence notes that “popular examples [of stablecoins] include Tether and USD Coin”. While any framework for the taxation of stablecoins should be built to cope with future market changes, there needs to be recognition that USD stablecoins currently hold 99% of the stablecoin market¹. Framing the consultation in this way provides crucial context to questions on the tax treatment of sterling versus non-sterling denominated stablecoins.

Question 2

To what extent does the current CGT treatment (a) cause administrative or other difficulties for individuals and/or (b) deter the use of stablecoins, for example in retail payments?

The use of stablecoins as an entry/exit vehicle for transactions in other crypto assets creates an added layer of tax complexity for individuals. An investor exchanging £1,000 into USDT on 1 January might go on to exchange the USDT into Bitcoin, say, and various other crypto assets, but ultimately transfer back into USDT worth £1,000 on 31 December. They do not cash out to sterling and see the USDT as essentially a USD cash account. Nevertheless, as well as calculating the capital gain/loss on every transaction during the course of the year, they need to keep detailed records of the original transfer into USDT in order to calculate a further gain/loss potentially years in the future.

The ease of use of many trading platforms and the increasing prevalence of automation tools can lead to high volumes of transactions, which do not necessarily translate into high values. This can create a significant administrative burden (for taxpayers and HMRC) that is disproportionate to the values involved. To date, there are few (if any) software solutions that will correctly distinguish and deal with large volumes of transactions for UK tax purposes with complete accuracy, creating costly manual work for self-assessment compliance.

Using stablecoins for retail payments offers real advantages, particularly where speed, security or global access are priorities. However, for those individuals not already in the self-assessment system (and most are not), the need to

¹ <https://coinlaw.io/fireblocks-europe-euro-stablecoin-qivalis/>

find out how, when and what to report, and then actually do so, acts as a deterrent. The problem is twofold: the lack of awareness of the rules for calculating and reporting the tax on transactions, and the tax treatment itself.

The above scenarios may be difficult to solve through greater education, given the similarity of stablecoins to fiat currency but the highly contrasting tax treatment. This is especially so when considering sterling linked stablecoins.

As the stablecoins market expands and uptake of newer technologies naturally increases, more people will find these problems to be a deterrent.

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?

Income tax can apply where stablecoins are used as employment remuneration, in staking or lending to generate returns, and as payment for goods or services. Different income tax treatment applies in these scenarios reflecting the equivalent income tax treatment of fiat currency. Our experience to date suggests that the existing income tax treatment is broadly workable as it stands.

We recognise that distinguishing between trading and investing can cause difficulties in the context of large volumes of transactions in crypto assets, stablecoins and foreign currencies, potentially more so than other forms of investment. We would welcome additional guidance and examples from HMRC on their views in this specific area to support taxpayers in applying the correct tax treatment. However, it is unlikely in our view that such difficulties would significantly deter the use of stablecoins when compared with more practical barriers (for example, lack of familiarity with or access to stablecoins).

Questions 4 - 7

Currently, how do companies typically account for stablecoins in practice? Please specifically include references to USDT and UDSC, two of the major stablecoins in the current market, as well as other common stablecoins used by companies.

How are stablecoins typically treated in practice for corporation tax purposes, included where the stablecoin is itself lent or borrowed by a company?

To what extent is it possible in practice for a stablecoin to (a) be a loan relationship, but not be accounted for as a financial asset under IFRS 9 (or equivalent) and/or (b) not be a loan relationship, but to be accounted for as a financial asset under IFRS 9 (or equivalent)?

Are there any difficulties caused by the current corporation tax treatment of stablecoins, and to what extent do difficulties deter companies from using them?

No comments currently.

Question 8 and Question 16

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?

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?

Interest-like returns generated from stablecoins are currently treated as miscellaneous income, as opposed to the treatment of actual interest on fiat currency as savings income. This has the potential to cause confusion and could lead to incorrect reporting, for example in the use of the personal savings allowance.

However, removing the contrasting treatment could lead to additional complexity, for example around withholding taxes, as well as influencing the perception of stablecoins as fiat currency. Therefore, we believe that distinguishing interest-like returns on stablecoins by retaining the designation of them as miscellaneous income is appropriate.

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?

No comments currently.

Question 10

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

Our view is that the regulatory definition of qualifying stablecoins does provide a suitable starting point, but it is important that the definition is not narrowed for tax purposes. The scope must include non-sterling stablecoins; sterling denominated stablecoins exist only at a trivial level of circulation. A reform to qualifying stablecoins to limit the definition to UK-issued, UK-regulated stablecoins would provide no real-world benefit to UK taxpayers.

If the regulatory definition were to be used as a starting point, we would recommend putting safeguards in place to ensure clarity in cases where the status of a purported stablecoin is in doubt. This could be through, for example, the use of non-exhaustive whitelist setting out foreign stablecoins that HMRC are prepared to accept as such. We do not recommend creating an exhaustive list given the difficulty in updating such a progressive asset class in a timely manner.

Question 11

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

Creating a de minimis level or exemption could be an option to increase simplicity for those with low-level transactions. However, having an exemption while retaining a complex CGT treatment with inherent capacity for errors could lead to its own issues.

We suggest that a no gain/no loss approach may be the most practical and workable solution to the reform of stablecoins taxation. We believe this option would be relatively simple and intuitive, reducing the administrative burden for taxpayers and thus the potential for expensive mistakes, while remaining consistent with the overall structure and policy intent of CGT.

However, any reform of the tax treatment of stablecoins should be considered alongside the DeFi call for evidence responses and subsequent discussions. Stablecoins are used extensively throughout DeFi and the implications of any changes would therefore need to be carefully considered in this wider context.

Question 12

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

As noted above, the tax treatment for stablecoins should be made consistent between sterling and non-sterling denominated stablecoins. Doing so would reduce complexity in the tax system and reflect the fact that, currently, non-sterling denominated stablecoins far outweigh sterling-denominated stablecoins.

Questions 13 - 18

Are there any changes to the income tax treatment of stablecoins that you believe the government should be considering?

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

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?

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.

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?

No comments currently.

5. Acknowledgement of submission

5.1. We would be grateful if you could acknowledge safe receipt of this submission, and ensure that the Chartered Institute of Taxation is included in the List of Respondents when any outcome of the consultation is published.

The Chartered Institute of Taxation

14 May 2026