

Background information

Your role

You are a tax associate in a firm of Chartered Tax Advisers. Your clients are XYZ Ltd and Shaun and Arthur, its shareholders. They have been clients for many years.

Extracts from client file

Shaun and Arthur are directors and employees of XYZ Ltd. Shaun owns 10% of the shares and Arthur owns the other 90%.

XYZ Ltd is a trading company based in the UK. It does not pay corporation tax by instalments.

Shaun and Arthur have always been and intend to always be resident in England. Shaun and Arthur are twins and are now aged 45.

Arthur receives a combination of salary, taxable benefits and dividends totalling in excess of £250,000 pa from XYZ Ltd. Arthur made no capital disposals in 2025/26. Arthur leads an extravagant lifestyle and has a shortage of cash.

We are awaiting confirmation of Shaun's income and capital disposals for 2025/26 but he has confirmed that he still only works part-time for XYZ Ltd. He also mentioned that he sold a residential property in January 2026. He let the conveyancer deal with the tax issues arising from the sale but has mentioned it now in case it is relevant to his overall tax position for 2025/26.

Shaun is also the Marketing Director at Alpha Ltd, an unrelated company.

XYZ Ltd – extracts from draft financial statements

Balance sheet as at 30 June 2026 – draft

	£	£
Fixed assets		
Intangible assets		875,000
Tangible assets		<u>2,352,000</u>
		3,227,000
Current assets		
Stock	122,000	
Trade debtors	273,000	
Director loan account – Arthur	75,000	
Cash	<u>22,000</u>	
	492,000	
Creditors: amounts falling due within one year		
Trade creditors	328,000	
Accrual	126,000	
Taxation	163,000	
Director loan account – Shaun	<u>100,000</u>	
	(717,000)	
Net current liabilities		<u>(225,000)</u>
Total assets less current liabilities		3,002,000
Creditors: amounts falling due after more than one year		
Loan (9% repayable in 2030)		<u>(2,800,000)</u>
Net assets		202,000
Capital and reserves		
Called-up share capital (Ordinary shares)		180,000
Profit and loss account		<u>22,000</u>
		202,000

Profit and loss account for the year-ended 30 June 2026 – draft

	£
Turnover	4,500,000
Less cost of sales	<u>(2,600,000)</u>
Gross profit	1,900,000
Administration expenses	(723,000)
Distribution costs	<u>(457,000)</u>
	720,000
Other operating income	<u>3,000</u>
Operating profit	723,000
Interest payable and similar expenses	<u>(261,000)</u>
Profit before tax	462,000
Tax on profit	<u>(81,500)</u>
Profit	380,500

Email with attachment from Shaun

Email

From: Shaun <shaun@XYZLTD.co.uk>
Sent: 1 October 2026
To: Adviser@taxadvice.co.uk
Subject: Letter from HMRC

Sam

I've attached a letter I received from HMRC on 1 May 2026. It's ridiculously long and I have absolutely no idea what it is going on about. I do hold some crypto and the amount has fluctuated over the years but it doesn't earn any interest and it is seriously high risk so I don't think there's anything to pay tax on. Anyhow, please can you sort it.

Thanks

Shaun

Attachment

Date 1 May 2026
UTR 1234567890
Case Ref CADT-1100452389

Dear SHAUN

We're writing to you as our records show you have disposed of cryptoassets. However, you haven't declared everything correctly. This means you may have tax to pay.

What is a cryptoasset 'disposal'

You make a disposal of cryptoassets whenever you:

- sell cryptoassets for fiat currency – for example, pounds or dollars
 - gains from these transactions are taxable, even if the money you make is not 'withdrawn' from the cryptoasset exchange
- exchange one cryptoasset for another – for example, exchanging Bitcoin for Ether, or using Bitcoin to buy a non-fungible token (NFT)
 - this is treated as a disposal of the old cryptoasset and an acquisition of the new one – gains from these disposals are taxable, even if you haven't converted your cryptoassets back to fiat currency
- use cryptoassets to buy goods or services
- give away your cryptoassets to someone who is not your spouse or civil partner
 - this gifting will be treated as having received the pound sterling value of the cryptoasset you give away, even if you did not actually receive anything

What you need to do if you have disposed of cryptoassets

We generally treat cryptoassets the same way as other assets. If you make a disposal of cryptoassets, you may have to report them to us and pay Capital Gains Tax (CGT) on any gains that you make.

What you need to do if you have received cryptoassets

Income Tax and National Insurance contributions may be due where you were involved in cryptoasset related activities that generated an income. For example, income from lending, staking and mining of cryptoassets. This may also be due from an employment which resulted in an income paid in the form of cryptoassets.

How we tax cryptoassets

For more information about how we tax cryptoassets, go to GOV.UK and search 'Check if you need to pay tax when you sell cryptoassets'. You can also search 'Check if you need to pay tax when you receive cryptoassets'. You will also be able to find links to our detailed Cryptoassets Manual on these pages.

Cryptoassets can be a complex area of tax. You may want to seek professional advice.

What you need to do now

You may have capital gains or income relating to cryptoassets that you have not:

- told us about
- included in your Self Assessment or Capital Gains Real Time transaction returns.

If so, please contact us with information about this. You can find details about how to contact us later in this letter.

You can declare any income or gains on your Self Assessment return if you are within the time limit for the relevant year to make amendments. For information about how to do this, go to GOV.UK and search 'Self Assessment corrections' then choose 'If you need to change your return'.

If you need to report any unpaid tax on cryptoassets from previous years, you can do this by using our cryptoasset disclosure service. Go to GOV.UK and search 'Tell HMRC about unpaid tax on cryptoassets'.

If you're satisfied that you don't have any cryptoasset-related tax to pay, please contact us using the details shown later in this letter. To support this, we ask that you include information that shows why you do not have to pay tax on your cryptoasset activities when you contact us.

You can get help from HMRC if you need extra support. For example, if you need information in a different format or need help filling in forms. Go to GOV.UK and search 'Get help from HMRC if you need extra support'.

What happens next

If you have additional CGT or income tax to pay, we may raise an assessment and send you details of the additional amounts due. We'll charge interest on any tax you pay late. For more information, go to GOV.UK and search 'pay Self Assessment tax bill'.

We will also consider if we need to charge you penalties. We will consider this on a case-by-case basis to decide if we need to charge a penalty for an inaccuracy penalty or a failure to notify penalty. For more information about inaccuracy penalties, go to GOV.UK and search 'CC/FS7a'. For more information about failure to notify penalties, go to GOV.UK and search 'CC/FS11'.

It's your responsibility to make sure your tax returns are completed correctly.

If you want to contact us about how to make an amendment or disclosure or give us information about your cryptoasset transactions, you can:

- phone us on 03000 55 22 94 – our phone lines are open Monday to Thursday, 9am to 5pm and Friday 9am to 4.30pm
- email us at responseteam@hmrc.gov.uk - before you contact us by email, please read the factsheet '[Corresponding with HMRC by email](#)'

Please note that:

- we cannot correct your tax return over the phone or help you work out your tax position
- we cannot give you any specific tax advice relating to your circumstances
- you'll receive a delayed response from us if you reply to this letter in writing by post

For more information about how to fill in your tax return correctly, go to GOV.UK and search 'Self Assessment tax returns'.

If you contact us, we can deal with you more quickly if you quote our reference number and provide a daytime phone number.

Yours sincerely

HMRC Compliance