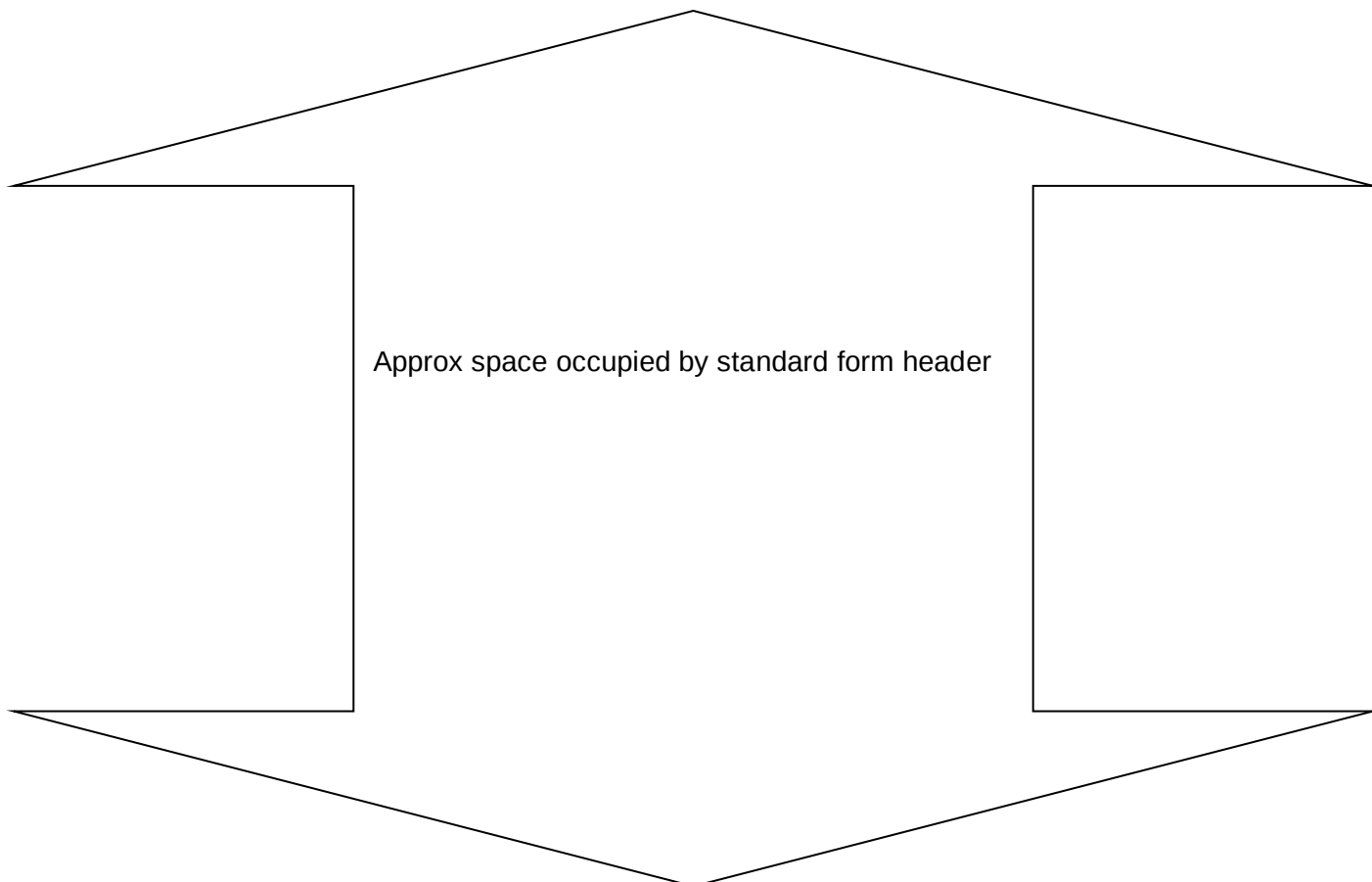




Please find enclosed a copy of a letter sent to your client today.

Why we are writing to your client

We are writing to your client because we believe they may have invested in cryptoassets, such as Bitcoin. We want to make sure they are aware of the tax implications of any disposals they may have made. This is not an enquiry; we simply hope to improve understanding of Capital Gains Tax (CGT) on cryptoassets.

What you need to do

If you have not already reviewed your client's cryptoasset holdings for any possible chargeable disposals, you may wish to do so now.

If you need to declare any CGT on your client's behalf, amend returns for earlier years or make a disclosure of tax due, please refer to the instructions in the enclosed letter.

If you need any further help and advice

We recently published our cryptoassets manual, which contains technical guidance on a wide range of cryptoasset related topics. The manual has replaced our previous policy papers on the topic, and we will regularly update it as the landscape continues to develop.

You can find the manual at: www.gov.uk/hmrc-internal-manuals/cryptoassets-manual or by going to www.gov.uk and searching for "**cryptoassets manual**".

Yours faithfully

Capital Gains Tax Compliance Team



HM Revenue
& Customs

Indv and Small Business Compliance
HM Revenue and Customs
BX9 1LE

Phone

8.30am to 5.00pm, Monday to
Thursday, 8.30am to 4.30pm, Friday

Email

Date
Your Ref

Dear

Capital Gains Tax on Cryptoassets

We have information that indicates you hold, or have held, investments in cryptoassets (also known as cryptocurrency).

If you **dispose** of cryptoassets, you may have to pay Capital Gains Tax (CGT).

What is a "disposal"?

You make a disposal of cryptoassets whenever you:

- **Sell cryptoassets** for fiat currency (e.g., USD, or GBP). Gains from these transactions are taxable, even if the money you make is not 'withdrawn' from the cryptoasset exchange.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 Bitcoin to Ether. You must pay CGT on these gains, even if you haven't converted your cryptoassets back to fiat currency.
- **Use cryptoassets** to buy goods or services.

Do I have to pay CGT?

You must pay CGT if your total **gains** arising from all disposals in a tax year are over the annual exempt amount. For the tax year 2020 to 2021, this was £12,300. This allowance is not exclusive to cryptoassets, it also covers any disposal of other assets, such as shares, or property.

Your 'gain' is normally the difference between what you paid for an asset and what you sold it for, or what it was worth when you exchanged it, used it to buy goods or services, or gave it away. If you make a loss, you may be able to use this to reduce the CGT due on other gains.

Calculations can be complex - if your gains may exceed £12,300, you might wish to seek professional advice. For more information, go to www.gov.uk/guidance/check-if-you-need-to-pay-tax-when-you-sell-cryptoassets

What you need to do

- 1 Please review your cryptoasset transactions. If you're satisfied that you do not have any tax to pay, you do not need to do anything.
- 2 If you've made gains that exceed your annual exempt amount, you need to tell us - details in the box on page 2.
- 3 If you want to claim a loss, you can either file a Self Assessment tax return, or write to us within 4 years of the date that the loss was made.

To tell us about gains made during the 2020/21 tax year please file a Self Assessment tax return before 31 January 2022 (unless we have sent you a 'notice to file' which specifies a later date).

Alternatively, you can declare gains using our Real Time Transactions service, up until 31 December 2021. Go to www.gov.uk/capital-gains-tax/report-and-pay-capital-gains-tax for more information.

To tell us about gains made in previous tax years, you can either:

- complete a disclosure using our Digital Disclosure Service - go to www.gov.uk and search for 'voluntary disclosure'; or
- file a Self Assessment tax return or amend the return that you've already filed for that tax year, subject to the relevant deadline.

To file, amend, or register to file a Self Assessment return, go to www.gov.uk and search for 'self-assessment'.

If you've not yet registered for Self Assessment, you'll have to do this before you can file a tax return. Please do this as soon as possible. If you've not paid the tax you owe in full by 31 January 2022, you may have to pay a penalty.

If you owe tax for previous years, we charge interest on the amounts due, and may also charge a penalty. You may be able to reduce the amount of any penalty we charge if you tell us that something is wrong before we find it and help us put things right.

If you need more help

For more guidance on Capital Gains Tax, go to www.gov.uk and search for 'Capital Gains Tax'. This includes details about tax rates, the annual exempt amount for previous years, tax when you give assets away, and how CGT applies to assets held in trust.

If you are mining cryptoassets, or using them as part of your trade, then different tax rules may apply. For more information, go to www.gov.uk and search for 'cryptoassets manual'.

If you have any questions about this letter, please contact us by:

- phone - our number is at the top of this letter
- email - you'll need to first acknowledge that you understand and accept the risks of communicating by email, as described in the enclosed factsheet; or
- post - our address is at the top of this letter

If there's anything about your health or personal circumstances that may make it difficult for you to deal with this matter, please tell us so that we can help you in the most appropriate way. For more details, go to www.gov.uk/get-help-hmrc-extra-support

When you contact us, please quote our reference number from the top of this letter and provide a daytime phone number.

If we have an open compliance check into any of your tax returns, please contact the officer dealing with that check.

If you have an agent, you might want to show them this letter.

Yours sincerely

Capital Gains Tax Compliance Team



Corresponding with HMRC by email

Use the following information to decide whether you want to deal with us by email. We take the security of personal information very seriously. Email is not secure, so it's very important that you understand the risks before you email us. We will not deal with you by email unless you tell us you accept the risks of doing so.

About the risks

The main risks associated with using email that concern HMRC are:

- confidentiality and privacy – there's a risk that emails sent over the internet may be intercepted
- confirming your identity – it's crucial that we only communicate with established contacts at their correct email addresses
- there's no guarantee that an email received over an insecure network, like the internet, has not been altered during transit
- attachments could contain a virus or malicious code

How we can reduce the risks

We'll desensitise information, for example by only quoting part of any unique reference numbers. We can also use encryption. We're happy to discuss how you may do the same but still give the information we need.

If you do not want to use email

You may prefer that we do not respond by email, for example because other people have access to your email account. If so, we're happy to respond by another method. We'll agree this with you either by telephone or in writing via post.

If you do want to use email

If you would like to use email as one of the ways HMRC will contact you, we'll need you to confirm in writing by post or email:

- that you understand and accept the risks of using email
- that you're content for financial information to be sent by email
- that attachments can be used

If you are the authorised agent or representative we'll need you to confirm in writing by post or email that your client understands and accepts the risks.

Please also:

- send us the names and email addresses of all people you would like us to use email with - you, your staff, your representative, your agent, for example
- confirm you have ensured that your junk mail filters are not set to reject and/or automatically delete HMRC emails

How we use your agreement

Your confirmation will be held on file and will apply to future email correspondence. We'll review the agreement at regular intervals to make sure there are no changes.

Opting out

You may opt out of using email at any time by letting us know.

More information

You can find more information on HMRC's privacy policy. Go to www.gov.uk and search for 'HMRC Privacy Notice'.