

(Date)

SUBMITTED VIA EMAIL: digitalassets@hmrc.gov.uk

To whom it may concern,

Re: UK HMRC Call for Evidence on Taxation of Stablecoins

About Global Digital Finance (GDF) and Crypto Council for Innovation

GDF and CCI are the two leading global members' associations representing firms delivering crypto and digital assets solutions. Our members span the digital asset ecosystem and include the leading global crypto exchanges, stablecoin issuers, digital asset Financial Market Infrastructure providers, innovators, and investors operating in the global financial services sector.

Together, our members share the goal of encouraging the responsible global regulation of crypto and digital assets to unlock economic potential, improve lives, foster financial inclusion, protect security, and disrupt illicit activity.

We believe that achieving these goals requires informed, evidence-based policy decisions realised through collaborative engagement between regulators and industry. It also requires recognition of the transformative potential of crypto and digital assets, as well as new technologies, in improving and empowering the lives of global consumers.

We support and encourage a comprehensive UK digital asset regulatory approach which is robust, proportionate, and pro innovation. Appropriate regulatory guardrails are crucial to ensure the continued growth of the UK ecosystem, to further attract the predominantly global industry, and to realising the goal of making the UK a digital finance hub.

The input to this response has been curated through a series of member discussions, industry engagement, and roundtables, and both GDF and CCI are grateful to their members who have taken part.

As always, we remain at your disposal for any further questions or clarifications you may have, and we would welcome a meeting with you to further discuss these matters in more detail with our members.

Yours faithfully,

Elise Soucie Watts – Executive Director – GDF

Laura Navaratnam – UK Policy Lead – CCI

Response to the Call for Evidence: Executive Summary

GDF and CCI welcome HMRC's Call for Evidence on the taxation of stablecoins and the opportunity to contribute to this important and timely policy discussion. The consultation reflects a growing recognition that stablecoins represent a distinct and increasingly significant component of the digital asset ecosystem, particularly in the context of payments, settlement, and financial market infrastructure. We strongly support HMRC's willingness to consider whether the existing tax framework remains fit for purpose, and view this as a valuable opportunity to ensure that the UK's tax treatment evolves in step with its broader regulatory ambitions for digital assets.

At the core of our response is the principle that qualifying stablecoins should be treated as money-like for tax purposes. These instruments are fully backed, redeemable at par, and designed to maintain a stable value relative to fiat currency. As such, their primary use case is as a medium of exchange rather than an investment asset. The current application of Capital Gains Tax (CGT) to everyday stablecoin transactions is therefore disproportionate and impractical, requiring users to track and report gains on routine payments where no meaningful gain arises. This creates friction that directly undermines the government's ambition to promote stablecoins as a payments innovation.

To address this, GDF and CCI recommend a full CGT exemption for qualifying stablecoins, rather than partial solutions such as de minimis thresholds. A threshold-based approach would retain complexity, fail to remove deterrents to adoption, and signal that stablecoins are not recognised as monetary instruments. The exemption should apply not only to sterling-denominated stablecoins, where gains are negligible, but also to non-sterling stablecoins used for payments, particularly given their importance in cross-border transactions and remittances.

For businesses, the issues are equally significant. The current Corporation Tax treatment is fragmented and uncertain, with stablecoins potentially falling under multiple regimes depending on their structure and use. This creates operational complexity and discourages firms from integrating stablecoins into treasury, settlement, and payment functions. The response therefore recommends treating qualifying stablecoins as money (or as giving rise to a money debt) for Corporation Tax purposes, bringing them within the loan relationships framework and ensuring consistent treatment with fiat currency.

The submission also highlights inconsistencies in the treatment of stablecoin lending. Where stablecoins are lent in arrangements that are economically equivalent to fiat loans, the returns should be treated as interest for tax purposes. The current classification as miscellaneous income creates unjustified disparities for both individuals and companies and further discourages participation in stablecoin-based financial activity.

Finally, our response stresses that any reformed framework must reflect the global nature of stablecoin markets. Tax treatment should be based on functional characteristics rather than jurisdiction of issuance, with flexibility to extend equivalent treatment to foreign-issued stablecoins where appropriate regulatory standards are met. Without this, reforms risk having limited real-world impact given the dominance of non-UK stablecoins in current usage.

Overall, our submission calls for a coherent, proportionate, and future-proof tax framework that recognises stablecoins as payment instruments, removes unnecessary friction, and supports the UK's strategic objective of becoming a leading jurisdiction for digital assets and payments innovation.

Response to the 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?

Global Digital Finance (GDF) and the Crypto Council for Innovation (CCI) welcome this Call for Evidence from HMRC on this critical topic. Across our two memberships we represent a broad range of stablecoin issuers, payment infrastructure providers, and financial institutions with direct experience of how stablecoins function in practice. We are supportive of the government's recognition that the current tax framework, designed for the wider cryptoasset universe such as those frequently used for investment or trading purposes, is poorly suited to stablecoins that are designed and used as payment instruments.

Our overarching view, which underpins each of our responses to this consultation, is that stablecoins that meet the criteria for regulation as qualifying stablecoins should be treated as money-like for tax purposes. This is not a novel or radical proposition. It reflects how qualifying stablecoins are already being conceptualised within the UK's emerging regulatory framework, and it is the treatment most consistent with the government's stated ambition to make the UK a global hub for digital asset innovation and a leader in payments modernisation.

We firmly believe that the tax framework should align with the regulatory direction of travel, not diverge from it. A position in which the FCA and Bank of England treat qualifying stablecoins as payment instruments while HMRC continues to treat them as speculative assets would risk creating an incoherence that could impede adoption and undermine the credibility of the UK's overall digital assets framework.

The payment function of stablecoins

The consultation document identifies that stablecoins have primarily been used to date within the cryptoasset ecosystem, both as a bridge between cryptoassets and as collateral in decentralised finance applications. However, this reflects historical adoption patterns, not the functional design of the instruments themselves.

Qualifying stablecoins, as defined in the UK regulatory framework, are fully backed, redeemable at par, and referenced to a fiat currency. Their defining characteristic is price stability. This distinguishes them fundamentally from cryptoassets and places them, economically and functionally, in the same category as the fiat currency they represent. They are not investments in the conventional sense and as regulated in the UK do not generate returns through price appreciation. Their utility is instead as a medium of exchange, precisely the function that tax systems have historically treated as outside the scope of capital gains.

As the regulatory framework comes into effect and regulated stablecoins enter mainstream payment channels, including retail payments, cross-border remittances, and wholesale settlement, the volume of stablecoin payment transactions is expected to grow substantially. The administrative friction created by the current CGT treatment could risk becoming increasingly acute at exactly the moment the government wishes stablecoins to succeed as a payments technology.

Scope: domestic and foreign-issued stablecoins

We note the consultation's recognition that limiting any tax changes to UK-issued qualifying stablecoins would, at least initially, have limited practical effect, given that the dominant stablecoins in the market, including USDT and USDC, are issued outside the UK. We welcome this acknowledgement of the current state of the stablecoin market.

Our view is that the appropriate tax treatment of a stablecoin should be determined by its functional and economic characteristics, not its jurisdiction of issuance. A USD-denominated, fully backed, par-redeemable stablecoin issued by a regulated entity in another jurisdiction is, in substance, the same instrument as its UK-issued equivalent. To treat them differently for tax purposes would be economically arbitrary and would significantly limit the practical reach of any reforms.

At the same time, we recognise that extending equivalent tax treatment to foreign-issued stablecoins raises legitimate questions about regulatory confidence and user protection. These questions are not, however, primarily questions for HMRC. They are questions about supervisory equivalence and regulatory coordination, and they will require engagement across HM Treasury, the FCA, and the Bank of England, as well as at the international level.

We would therefore encourage HMRC to design any reformed tax treatment with the following principle in mind: the tax perimeter should be capable of extending to foreign-issued stablecoins where the relevant regulatory authorities determine that the home jurisdiction's framework offers equivalent protections. The mechanism for making that determination is a matter for the regulators, not for the tax authority. However, with that in mind we would reiterate that the tax framework should not pre-emptively close off that possibility by drawing a hard jurisdictional line that cannot later be adjusted without primary legislation.

The need for coordination and alignment across the UK framework

Finally, we would also draw HMRC's attention to the need for alignment between this consultation and the broader suite of regulatory and legislative developments underway. The FCA is finalising its cryptoasset regime, including rules for qualifying stablecoins. The Bank of England has consulted on systemic stablecoins and we are similarly awaiting their final policy statement. Parliament is modernising payments assimilated law to accommodate tokenised payment instruments and the Digital Securities Sandbox is currently live. These workstreams collectively signal a direction of travel toward treating certain digital assets as functional equivalents of traditional financial instruments.

Tax policy that runs against this direction, or that is designed in isolation from it, risks creating the kind of internal incoherence that deters institutional participation and scalability. We encourage HMRC to engage closely with HM Treasury, the FCA, and the Bank of England as this Call for Evidence develops, to ensure that any changes to the tax treatment of stablecoins are consistent with the broader regulatory framework being built around them.

Question 2: To what extent does the current CGT treatment:

- **cause administrative or other difficulties for individuals, and/or**
- **deter the use of stablecoins, for example in retail payments?**

Overall, GDF and CCI believe that the current CGT treatment of stablecoins creates significant administrative difficulties for individuals and acts as a material deterrent to the use of stablecoins as a payment instrument.

Administrative difficulties

Under the current rules, every use of a stablecoin to purchase goods or services constitutes a disposal for CGT purposes. This means that an individual using a stablecoin to make an everyday payment, whether buying groceries, paying a subscription, or sending a remittance, is in principle required to record the acquisition cost and disposal proceeds of that transaction, calculate any gain or loss, and account for that transaction in their CGT position. This requirement applies regardless of whether any gain actually arises.

For sterling-denominated stablecoins, gains will in practice be negligible or zero, since the instrument does not fluctuate relative to sterling. The compliance obligation is therefore entirely disproportionate to the tax at stake. An individual making fifty small stablecoin payments in a month faces fifty CGT disposal events, each requiring record-keeping, none of which is likely to generate any taxable gain. No equivalent obligation applies to the same purchases made by card or cash.

The administrative burden is compounded by the reporting threshold. Once aggregate disposal proceeds from all sources exceed £50,000 in a tax year, those disposals may need to be reported to HMRC regardless of whether any gain arises. For an individual using stablecoins regularly for payment purposes, this threshold could be reached relatively quickly, triggering a reporting obligation that has no equivalent for other payment methods.

We recognise that individuals already engaged in high-volume cryptoasset activity are likely to use tax calculation software that can handle stablecoin transactions alongside other disposals. However, this is not the relevant population for the retail payment use case. The individuals who would benefit most from stablecoins as a payment instrument, including those using them for cross-border remittances, everyday purchases, or as an alternative to traditional banking, are precisely those least likely to be familiar with CGT reporting obligations or tax calculation software. Thus the compliance burden would inadvertently fall most heavily on those least equipped to manage it.

Deterrence of retail payment adoption

The administrative burden described above subsequently then acts as a direct deterrent to stablecoin adoption as a retail payment instrument. An individual who understands the CGT implications of stablecoin use faces a rational choice: use a payment method that generates no compliance obligations, or use stablecoins and accept an ongoing administrative burden for transactions that are unlikely to generate any tax liability. The choice in most cases will then be to use conventional payment methods, deterring the perception and use of stablecoins as money.

This deterrence effect is not merely theoretical. Cross-border remittances are one of the most compelling use cases for stablecoins, offering significantly lower costs and faster settlement than traditional remittance channels. The [BVNK Stablecoin Utility Report 2026](#) highlights that stablecoin-based remittance corridors can reduce transaction costs substantially compared to traditional wire transfers, with particular benefits for users in emerging markets sending money to and from the UK. The CGT treatment adds a compliance layer to these transactions that undermines their cost advantage and deters adoption among the communities that stand to benefit most.

More broadly, the current treatment sends a signal to the market that is inconsistent with the government's stated ambitions. A payment technology that triggers CGT reporting obligations on every transaction is not, in practical terms, being treated as a payment instrument. It is being treated as a speculative asset that happens to be used for payments. That framing deters not only individual users but also the merchants, platforms, and infrastructure providers that would need to build stablecoin payment functionality into their products and services.

The interaction with the £50,000 reporting threshold

We would highlight one further practical difficulty. The current £50,000 aggregate disposal proceeds threshold for CGT reporting can be reached through the accumulation of individually small stablecoin payment transactions, even where no gain arises on any of them. An individual making regular stablecoin payments of modest size could find themselves subject to Self Assessment reporting obligations solely as a result of their payment activity, with no corresponding tax liability. This is a particularly acute version of the disproportionality problem, and one that the threshold option proposed in Question 11 does not fully resolve.

Overall, we believe that the administrative difficulties and deterrence effects described above are direct consequences of treating qualifying stablecoins as investment products or speculative assets rather than as money-like instruments. They cannot be adequately addressed through partial measures such as a de minimis reporting threshold. As set out in our response to Question 11, we recommend a full CGT exemption for qualifying stablecoins as the only approach that resolves these difficulties at their root.

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?

The current Income Tax treatment of stablecoins does not, in general, create the same degree of administrative difficulty or deterrence effect as the CGT treatment addressed in our response to Question 2. Where stablecoins are received as remuneration, used in the course of a trade, or generate returns through staking or lending, the existing Income Tax framework applies in a broadly workable way. We do not consider that the Income Tax treatment alone is a significant deterrent to stablecoin adoption in most contexts.

We would however note two areas where the current treatment creates some friction:

First, where individuals receive stablecoins as payment for goods or services, the requirement to value those stablecoins in sterling at the point of receipt creates a practical administrative step that has no equivalent for payments received in cash or by card. For most qualifying stablecoins this valuation will be straightforward, but it nonetheless represents an additional compliance step that would not exist if stablecoins were treated as money.

Second, and more substantively, the treatment of interest-like returns from stablecoin lending as miscellaneous income rather than savings and investment income creates a disparity that we address in detail in our response to Question 8.

Question 4: Currently, how do companies typically account for stablecoins in practice? Please specifically include references to USDT and USDC, 2 of the major stablecoins in the current market, as well as other common stablecoins used by companies.

No comment.

Question 5: How are stablecoins typically treated in practice for Corporation Tax purposes, including where the stablecoin is itself lent or borrowed by a company?

No comment.

Question 6: To what extent is it possible in practice for a stablecoin:

- to be a loan relationship, but not be accounted for as a financial asset under IFRS 9 (or equivalent) and/or
- to not be a loan relationship, but to be accounted for as a financial asset under IFRS 9 (or equivalent)?

No comment.

Question 7: Are there any difficulties caused by the current Corporation Tax treatment of stablecoins, and to what extent do difficulties deter companies from using them?

Yes, GDF and CCI believe that the current Corporation Tax treatment of stablecoins creates meaningful difficulties for companies and acts as a deterrent to their use, particularly in treasury, payments, and settlement contexts. The core problem mirrors the one we identify for individuals in our response to Question 2, that the existing framework was designed for the wider cryptoasset universe and does not reflect the functional and economic characteristics of stablecoins used as money.

Uncertainty and fragmentation of treatment

The most significant difficulty is the absence of a clear and consistent Corporation Tax treatment for stablecoins. As the consultation document acknowledges, depending on the specific features of the stablecoin and how it is used, a company may find its stablecoin holdings falling under the loan relationships rules, the chargeable gains rules, or the trading profits rules. In some cases the correct

treatment is genuinely uncertain, requiring companies to take legal advice on instruments that are, in substance, functioning as working capital or payment infrastructure.

This uncertainty imposes direct costs on companies in the form of legal and advisory fees, and indirect costs in the form of the operational complexity of maintaining different tax treatments for what may be economically similar instruments. For companies considering whether to integrate stablecoins into their treasury or payments operations, this uncertainty is a material deterrent. The risk of an unexpected or adverse tax outcome on an instrument intended to function as cash is difficult to justify commercially.

The chargeable gains treatment for non-loan relationship stablecoins

Where a stablecoin does not constitute a loan relationship, gains and losses are calculated under the chargeable gains rules. This requires separate computations for each disposal, creating an administrative burden that has no equivalent for companies holding fiat currency or operating conventional payment infrastructure. For companies using stablecoins at scale for settlement or payments purposes, the volume of disposal events this generates is operationally significant.

Stablecoin lending

Furthermore, the treatment of stablecoin lending by companies creates additional complexity. As the consultation notes, where a company lends a stablecoin, the return is not currently treated as interest because stablecoins are not considered to be money, and the lending is not treated as a transaction for the lending of money. This means returns fall outside the loan relationships framework and into miscellaneous income treatment, creating a disparity with equivalent fiat lending arrangements that is difficult to justify and adds compliance complexity for firms engaged in stablecoin treasury management.

Taken together, these difficulties create a regulatory and compliance environment that deters companies from integrating stablecoins into mainstream financial operations. Firms that might otherwise use stablecoins for cross-border settlement, treasury management, or payment infrastructure face a combination of legal uncertainty, administrative complexity, and risk of adverse tax outcomes that makes conventional fiat alternatives more attractive, even where stablecoins would offer operational or cost advantages.

Overall, we consider that the reforms proposed in our response to Question 14 would address the majority of these difficulties by bringing qualifying stablecoins within a clear and consistent Corporation Tax framework that reflects their function as money.

Question 8: 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?

We would begin by drawing an important distinction that we consider relevant both to this question and to the broader policy context. There are two quite different types of "interest-like return" that can arise in connection with stablecoins, and they should not be confused.

The first is yield generated by holding a stablecoin or depositing a stablecoin with a platform or protocol; for example, returns generated through staking, automated market-making participation, or yield-bearing stablecoin products. This type of return is a product feature. As such, its availability and characterisation raise significant regulatory questions that are currently the subject of active debate in multiple jurisdictions, and we do not address it further in this response. Whether and how such yield should be permitted or regulated, and by whom, is a matter for the FCA and the broader stablecoin regulatory framework, not primarily for tax policy.

The second - and the one we address here - is the return generated where a stablecoin is lent in a straightforward lending arrangement: that is, where a lender transfers stablecoins to a borrower in exchange for a promise of repayment of an equivalent amount of stablecoins at a future date, together with a pre-agreed return calculated by reference to the notional fiat-currency-denominated value of the loan. This is, in economic substance, a loan of money. The stablecoin is the vehicle through which the money is transferred. The reference currency is the unit of account in which the obligation is denominated. And consequently, the pre-agreed return is, in every meaningful sense, a payment of loan interest.

It is this second category that the current tax framework treats inconsistently with its fiat currency equivalent, and it is this inconsistency that we believe requires reform.

The problem for individuals

For individuals, the miscellaneous income characterisation of stablecoin lending returns produces concrete disparities with equivalent fiat lending. Most notably, the Personal Savings Allowance, which shields up to £1,000 of interest income for basic rate taxpayers, is unavailable to stablecoin lenders, even where the economic substance of the arrangement is identical to a fiat loan. The applicable allowance, the withholding tax treatment, and the reporting obligations all differ depending solely on whether the loan was made in fiat currency or in a qualifying stablecoin that references that same currency. There is no economic justification for these differences, and they penalise participation in what are, in substance, conventional lending arrangements.

The problem for companies

For companies, the core problem is that stablecoin lending returns fall outside the loan relationships framework entirely, and are instead treated as miscellaneous income. This means companies using qualifying stablecoins for treasury lending or cross-border financing operate under a materially different and less coherent set of tax rules than they would if conducting economically identical transactions in fiat currency. In practice, this is a deterrent: companies seeking predictable tax treatment will structure arrangements using fiat instruments rather than stablecoins, not for any commercial reason, but purely to avoid tax uncertainty.

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?

We note, for completeness, that the outcome of this consultation is unlikely to affect reporting obligations under the amended Common Reporting Standard (CRS 2.0) as currently drafted. The CRS 2.0 definition of a Specified Electronic Money Product (SEMP) is derived from the OECD model rules and applies an independent five-part structural test; it does not depend on how the same instrument is characterised for UK tax purposes.

However, to the extent that this consultation leads to the introduction of a new statutory category of stablecoin, whether for CGT, loan relationship, or other tax purposes, we would encourage HMRC and HM Treasury to ensure that any such definition is considered alongside the SEMP definition in the CRS 2.0 implementing regulations. Where the two definitions do not precisely overlap, there is a risk that the same instrument is treated differently across frameworks, which could create complexity for reporting institutions seeking consistency across their compliance obligations. This is not a concern under the current rules, but it is a point worth keeping in mind as legislative definitions in this area develop.

Question 10: Does the regulatory definition of qualifying stablecoin provide a suitable starting point for the scope of any potential tax changes?

Yes, the regulatory definition of qualifying stablecoin provides a suitable and logical starting point for the scope of any reformed tax treatment. We support anchoring the tax perimeter in the same conceptual framework as the regulatory perimeter. Alignment between the regulatory and tax definitions would reduce complexity for firms and individuals, support consistent treatment across the UK's digital assets framework, and avoid the risk of creating instruments that are regulated as payment instruments but taxed as investment assets.

The regulatory definition rests on two core criteria: that the stablecoin seeks or purports to maintain a stable value relative to a particular fiat currency, and that fiat currency or other assets are held for the purpose of maintaining that stable value. Both criteria are economically meaningful and directly relevant to the question of tax treatment. A stablecoin that meets both criteria is, in substance, functioning as a representation of the fiat currency it references. We firmly believe that this functional equivalence to money is the correct basis on which to extend money-like tax treatment.

The definition should be outcomes-based, not issuer-based

While we support the regulatory definition as a starting point, we would caution against importing any implicit limitation to UK-issued stablecoins into the tax perimeter. The regulatory definition as drafted does not require UK issuance, and we consider it important that the tax definition follows the same approach.

As we set out in our response to Question 1, the appropriate tax treatment of a stablecoin should be determined by its functional and economic characteristics, not its jurisdiction of issuance. A USD-denominated, fully backed, par-redeemable stablecoin issued by a regulated entity outside the UK is, in substance, the same instrument as its UK-issued equivalent. This is not without precedent in current financial markets: USD is widely used in UK wholesale and retail markets, including as an invoicing and settlement currency in commodity trading, cross-border transactions, and international capital markets,

and is treated as money in those contexts regardless of its foreign origin. UK firms hold, transact in, and report USD balances without those activities giving rise to the kind of per-transaction compliance burden that currently applies to stablecoin use. The same principle should apply to well regulated foreign stablecoins that represent and are backed by a fiat currency. The dominant stablecoins in current use globally, including USDT and USDC, are foreign-issued. A tax definition that excluded them could leave the vast majority of real-world stablecoin activity outside the scope of any reforms, significantly limiting their practical effect.

We therefore recommend that the tax definition be explicitly framed as outcomes-based and jurisdiction-neutral, capturing any stablecoin that meets the functional criteria regardless of where it is issued.

The equivalence mechanism for foreign-issued stablecoins

We recognise that extending money-like tax treatment to foreign-issued stablecoins raises legitimate questions that go beyond the tax framework alone. The confidence required to treat a foreign-issued stablecoin as equivalent to its domestic counterpart depends on the robustness of the home jurisdiction's regulatory framework, including reserve requirements, redemption rights, AML and CFT standards, and the rights and protections available to UK holders.

These are questions of supervisory equivalence and regulatory coordination, and they fall primarily to the FCA and the Bank of England, in coordination with HM Treasury, to assess. We appreciate that HMRC is not in the position to be making regulatory assessments about foreign jurisdictions. However, we do believe that the tax framework should be designed so that the tax perimeter can be extended to foreign-issued stablecoins by administrative or regulatory determination, without requiring primary legislation each time an equivalence decision is made. Building that flexibility into the framework from the outset is significantly preferable to designing a UK-only perimeter that must later be unpicked.

Overall, we recommend that HMRC adopt a tax definition of qualifying stablecoin that mirrors the functional criteria in the regulatory definition, is explicit that UK issuance is not required, and includes a mechanism by which the tax perimeter can be extended to foreign-issued stablecoins on the basis of an equivalence determination made by the appropriate regulatory authorities. We believe that this approach would future-proof the framework, reflect market reality, and ensure that the tax treatment of stablecoins remains coherent with the broader UK digital assets regime as it develops.

Question 11: What would be the preferred option(s) for reforming the tax treatment of stablecoins in respect of CGT for individuals, and why?

Our preferred option is a full CGT exemption for qualifying stablecoins. Overall, GDF and CCI still have significant concerns with the de minimis reporting threshold as an alternative. Our below response sets out our views on why the exemption is both practically effective for implementation and aligned with the broader UK regime.

The case for full exemption

As set out in our responses to Questions 1 and 10: qualifying stablecoins are, in substance, money. Fundamentally, they are designed to maintain a stable value relative to a fiat currency, as they are fully backed by reserve assets, and are redeemable at par. Their function is as a medium of exchange, not as an investment vehicle. Thus, as the current UK tax system does not apply CGT to transactions conducted in cash or by card payment, and it should not apply CGT to transactions conducted using an instrument that is functionally equivalent to cash.

The current treatment creates a fundamental mismatch between economic reality and tax outcome. In the case of sterling-denominated stablecoins, any gain or loss on a transaction will in practice be negligible or zero, because the instrument does not fluctuate relative to sterling. This also means that CGT liability is not a meaningful revenue protection mechanism in this context. Instead it only serves as an administrative artefact that imposes real compliance costs without generating a corresponding fiscal benefit for individuals.

A full exemption resolves this mismatch cleanly as it removes the requirement to record acquisition and disposal costs for each transaction, eliminates the need for individuals to track stablecoin payments alongside their other CGT computations, and removes a compliance burden that has no equivalent for any other commonly used payment instrument. Furthermore, it sends a clear signal that the UK treats qualifying stablecoins as payment instruments and as functional equivalents to money, which is consistent with the government's wider ambitions for the digital assets sector.

Conceptual challenges with the threshold

We are concerned that the de minimis reporting threshold still is conceptually challenging as it is inconsistent with the broader UK framework to impose CGT requirements on stablecoins. Consistent with broader UK market practice, an instrument designed and used as money should not generate CGT events at all, regardless of transaction size.

A threshold also retains significant practical complexity. Individuals would still need to monitor the cumulative value of their stablecoin disposals to determine when the threshold is crossed, maintain records in case they approach it, and engage with CGT reporting if they exceed it. For mainstream retail payment use cases, this remains a meaningful deterrent and also sends a strong signal to the market that the UK does not consider stablecoins to be monetary instruments. The compliance infrastructure required to operate below a threshold is not materially simpler than the infrastructure required to operate without one, particularly for individuals who are not familiar with tax calculation software.

Furthermore, a threshold creates a structural incentive to keep individual transactions below the limit, which is an undesirable distortion in payment behaviour.

Sterling and non-sterling denominated stablecoins

We address the question of non-sterling denominated stablecoins in our response to Question 12. However, we would note here that the case for exemption is strongest and most straightforward for sterling-denominated stablecoins, where gains and losses will almost always be negligible, and that HMRC should not allow the more complex question of non-sterling scope to delay or dilute reform for sterling stablecoins.

Exchequer protection

We recognise that any exemption must be designed with appropriate Exchequer protections. We would make two observations in this regard. First, the current CGT treatment of sterling-denominated stablecoins generates negligible revenue in practice, since gains on instruments that do not fluctuate relative to sterling are by definition negligible. An exemption does not therefore represent a material Exchequer cost for sterling stablecoins. Second, the interaction between a CGT exemption and other parts of the tax system, including the DeFi lending and liquidity pool framework currently under development, will need careful design to ensure that the exemption cannot be used to shelter gains that would otherwise be taxable. We address this further in our responses to Questions 17 and 18.

Question 12: Should the scope of any changes to the CGT treatment be extended to include non-sterling denominated stablecoins? Why or why not?

Yes. We consider that any reformed CGT treatment should extend to non-sterling denominated stablecoins that meet the functional criteria for qualifying stablecoin status. Our position rests on the same foundational principle that underpins our responses to Questions 1, 10, and 11: the appropriate tax treatment of a stablecoin should be determined by its functional and economic characteristics, not by the currency it references.

The functional case for inclusion

A USD-denominated qualifying stablecoin is, in substance, a digital representation of US dollars. It is fully backed, redeemable at par, and designed to maintain a stable value. Its defining characteristic is the absence of price appreciation relative to the currency it references. The same logic that supports a CGT exemption for sterling stablecoins, that an instrument functioning as money should not generate CGT events when used as a means of payment, applies equally to a non-sterling stablecoin when used for the same purpose.

The consultation raises the question of whether non-sterling stablecoins are likely to be used for retail payments in the UK and whether their inclusion would therefore have significant practical effect. We would make two observations. First, cross-border payments and remittances are a major and growing use case for stablecoins, and USD-denominated stablecoins are the primary instrument used in those corridors. Individuals sending remittances or making cross-border payments using USDT or USDC are engaging in payment activity, not investment activity, and should not face CGT compliance obligations that do not apply to equivalent transactions conducted in fiat currency. Second, as the stablecoin market develops and UK regulatory equivalence frameworks mature, the range of currencies and use cases will broaden. Designing the exemption to cover only sterling stablecoins from the outset would require future legislative intervention to extend it, creating unnecessary uncertainty.

The foreign exchange comparison

The consultation notes that non-sterling currencies held by individuals are chargeable assets for CGT purposes, and that extending a CGT exemption to non-sterling stablecoins would create a divergence from

the treatment of the underlying fiat currency. We understand this concern but do not consider it determinative for the following reasons.

The treatment of foreign currency for CGT purposes already contains significant exemptions and carve-outs, including for foreign currency held in bank accounts for personal expenditure. The principle that foreign currency used for payment purposes should not generate CGT events is already embedded in the existing framework, even if imperfectly. Extending that principle to non-sterling stablecoins used for payment is consistent with the direction of existing policy rather than a departure from it.

More fundamentally, we would caution against allowing the existing treatment of foreign currency to set the ceiling for stablecoin reform. The current treatment of foreign currency for CGT was not designed with high-frequency digital payment instruments in mind. The compliance burden created by applying CGT to every stablecoin payment transaction is qualitatively different from the burden created by occasional foreign currency gains on a bank account. The appropriate question is not whether stablecoins should be treated like foreign currency under the current rules, but whether the current rules are the right framework for instruments that function as money in a digital payments context.

Market reality

As noted in our response to Question 10, the dominant stablecoins in global use are USD-denominated and foreign-issued. USDT and USDC together account for the substantial majority of stablecoin transaction volume. A CGT exemption that excluded non-sterling stablecoins would, in practice, exclude most of the stablecoins that individuals and firms are actually using. The reform would have limited real-world impact and would not achieve the government's stated objective of reducing the administrative friction that deters stablecoin adoption as a payments technology.

Exchequer considerations

We recognise that non-sterling stablecoins do fluctuate in value relative to sterling as a result of foreign exchange movements, and that this creates a more substantive case for CGT treatment than exists for sterling stablecoins, where gains are by definition negligible. We do not dismiss this concern. However, we would make the following observations.

First, the gains arising on non-sterling stablecoins used for payment purposes will in most cases be modest and incidental, reflecting routine foreign exchange movements rather than deliberate investment activity. The Exchequer yield from taxing these gains is unlikely to be significant relative to the compliance costs imposed on individuals.

Second, where non-sterling stablecoins are used for investment or trading purposes rather than payment purposes, the existing CGT framework may provide an appropriate basis for taxation. The question of how to distinguish payment use from investment use is one that HMRC may wish to consider as part of the design of any exemption, and we would welcome the opportunity to engage with HMRC on that design question as the policy develops.

Recommendation

We recommend that the CGT exemption be extended to non-sterling denominated qualifying stablecoins, subject to the equivalence framework for foreign-issued stablecoins set out in our responses to Questions 1 and 10. We recognise that this raises more complex design questions than the sterling case, and we would encourage HMRC not to allow those design questions to delay reform for sterling stablecoins. The two can and should be progressed in parallel, with the sterling exemption implemented as a priority and the non-sterling extension following as the equivalence framework matures.

Question 13: Are there any changes to the Income Tax treatment of stablecoins that you believe the government should be considering?

As set out in our response to Question 3, the current Income Tax treatment of stablecoins does not in general create the same degree of administrative difficulty or deterrence effect as the CGT and Corporation Tax treatment addressed elsewhere in this submission. We do not consider that fundamental reform of the Income Tax treatment is a priority at this stage.

However, consistent with our response above we would highlight two areas where targeted adjustments would improve consistency and reduce unnecessary friction.

First, where individuals receive stablecoins as payment for goods or services, the requirement to value those stablecoins in sterling at the point of receipt creates an administrative step that would not exist if stablecoins were treated as money. For qualifying stablecoins this valuation will in most cases be straightforward, but we would encourage HMRC to consider whether clear guidance or a simplified valuation methodology could reduce the compliance burden in this area, particularly as stablecoin payroll and business payment arrangements become more common.

Second, the treatment of interest-like returns from stablecoin lending as miscellaneous income rather than savings and investment income creates a disparity with equivalent fiat arrangements that we consider should be addressed. We defer to our responses to Questions 8 and 16 for our full position on this point, noting that it is subject to ongoing member consultation.

More broadly, we would note that the most significant Income Tax changes that could benefit stablecoin users would flow naturally from the broader reform of treating qualifying stablecoins as money, rather than requiring specific Income Tax amendments. We encourage HMRC to consider the Income Tax implications of that broader reform as part of a coherent package rather than in isolation.

Question 14: If you consider that reform is needed for the taxation of stablecoins by companies, what would be the preferred option, and why?

Yes, GDF and CCI consider that reform is needed. As set out in our response to Question 7, the current Corporation Tax treatment of stablecoins creates meaningful uncertainty and administrative complexity for companies, and acts as a deterrent to their use in treasury, payments, and settlement contexts. Our preferred approach to reform follows directly from the overarching position set out in our responses to

Questions 1 and 10, that qualifying stablecoins should be treated as money-like for tax purposes, and the Corporation Tax framework should reflect that treatment.

Preferred option: treating qualifying stablecoins as money

Our preferred option is for qualifying stablecoins to be treated as money for Corporation Tax purposes, either by deeming them to be money directly or by treating them as giving rise to a money debt. This would bring qualifying stablecoins within the loan relationships rules in Part 5 Corporation Tax Act 2009 as a matter of course, with profits and losses taxed or relieved as income based on the accounts. It would also provide a clearer framework for the treatment of stablecoin lending. In cases where arrangements are economically and legally analogous to the lending of money, such transactions should be capable of being treated as loan relationships, with returns taxed as interest under that framework rather than as miscellaneous income. However, this should be determined by reference to the specific features of the arrangement.

This approach has several advantages over more targeted or piecemeal alternatives. We note, however, that stablecoin lending arrangements can take a range of forms, including bilateral lending, platform-based models, and DeFi protocols. While many of these may be analogous to traditional money lending, this should not be assumed in all cases. The appropriate tax treatment should continue to depend on the legal rights and economic substance of the specific arrangement.

- *It provides legal certainty:* Companies holding or transacting in qualifying stablecoins would have a clear and predictable tax treatment that does not depend on the specific legal features of the stablecoin in question or require case by case analysis of whether a loan relationship arises. This certainty is itself commercially valuable and would reduce the advisory costs that the current uncertainty imposes.
- *It is consistent with economic substance:* A company holding USDT or USDC as working capital or using it for cross-border settlement is, in substance, holding or transacting in US dollars. Treating that activity under the loan relationships rules, as would apply to a company holding a USD-denominated bank balance, reflects the economic reality of the transaction.
- *It is coherent with the broader reform package:* A Corporation Tax treatment that mirrors the approach taken for individuals, treating qualifying stablecoins as money and removing the CGT disposal treatment, would create a consistent framework across the tax system that is aligned with the regulatory treatment of stablecoins as payment instruments.

Exchange gains and losses

We note that treating qualifying stablecoins as money for loan relationships purposes would also engage the corporate foreign exchange rules for non-sterling denominated stablecoins. We consider this to be the correct outcome. A company holding USD-denominated stablecoins should recognise exchange gains and losses in the same way as a company holding USD cash or USD-denominated bank balances. The existing Disregard Regulations and related provisions would then apply in the usual way, providing companies with the hedging and matching tools available for conventional foreign currency exposures.

The Part 6 alternative

We note that the consultation also raises the possibility of bringing stablecoins within Part 6 Corporation Tax Act 2009 as an alternative to direct inclusion in Part 5. While we recognise that this may be technically simpler to implement in some respects, we would encourage HMRC to consider whether a Part 6 approach fully achieves the policy objective of treating qualifying stablecoins as money, or whether it risks creating a parallel regime that preserves some of the existing inconsistencies. Our strong preference is for an approach that is grounded in the monetary treatment rather than one that approximates it through a separate set of rules.

Stablecoin lending and the instrument question

Additionally, we support the consultation's suggestion that the creation of a cryptoasset token should be capable of constituting an instrument for the purposes of section 303(3) Corporation Tax Act 2009. This would support the inclusion of stablecoin lending arrangements within the loan relationships framework where the relevant conditions are met without requiring the existence of a separate physical or documentary instrument, which is consistent with the digital nature of these instruments and removes an unnecessary technical barrier to coherent treatment.

Overall, we recommend that HMRC pursue a reform that treats qualifying stablecoins as money for Corporation Tax purposes, bringing them within the loan relationships rules and supporting the treatment of stablecoin lending within the loan relationships framework where arrangements are equivalent in substance to the lending of money. We consider this to be the approach most consistent with the economic substance of stablecoin activity, most coherent with the broader reform package proposed elsewhere in this submission, and most likely to provide the legal certainty that companies need to integrate stablecoins into mainstream financial operations with confidence.

Question 15: 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?

No comment.

Question 16: 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?

As per our response to Question 8, we would begin by drawing the important distinction between yield generated by holding a stablecoin or depositing a stablecoin with a platform or protocol (for example, returns generated through staking, automated market-making participation, or yield-bearing stablecoin products), versus the return generated where a stablecoin is lent in a straightforward lending arrangement: that is, where a lender transfers stablecoins to a borrower in exchange for a promise of repayment of an equivalent amount of stablecoins at a future date, together with a pre-agreed return calculated by reference to the notional fiat-currency-denominated value of the loan. As we set out in our response to Question 8, such an arrangement is, in economic substance, a loan of money, and the pre-agreed return is, in every meaningful sense, a payment of loan interest.

Our view is that the appropriate reform is to ensure that the return generated on a qualifying stablecoin lending arrangement of the kind described above is treated as interest for tax purposes for both individuals and companies. This reform would remove a disparity that has no economic justification, reduce compliance complexity for firms engaged in stablecoin treasury management, and ensure that the tax treatment of qualifying stablecoin lending is coherent with the broader principle underpinning this submission: that qualifying stablecoins are, in substance, money.

Question 17: 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.

No comment.

Question 18: 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?

The interaction between any reformed stablecoin treatment and the no gain, no loss approach being considered for cryptoasset loans and liquidity pools is an important design question that will require careful attention. We support HMRC's recognition that these two workstreams need to be considered together, and we welcome the opportunity to contribute to that design process.

The core interaction

The primary risk HMRC has identified is that a CGT exemption for qualifying stablecoins could interact with the no gain, no loss rollover approach in ways that allow gains accrued on non-exempt assets to be sheltered when those assets move into or out of stablecoin positions. We consider this a legitimate concern and one that the framework should address explicitly.

Our view is that the most coherent approach is to ensure that the no gain, no loss treatment does not apply where a disposal involves a movement between an exempt and a non-exempt asset. Where a holder disposes of a non-exempt cryptoasset and receives a qualifying stablecoin in return, any gain accrued on the non-exempt asset should remain within the scope of CGT at that point rather than being rolled over into the stablecoin position.

Equally, where a holder disposes of a qualifying stablecoin and receives a non-exempt cryptoasset in return, the base cost of the new asset should reflect the market value of the stablecoin at the point of exchange rather than any historic base cost, since no gain or loss arises on the stablecoin side of the transaction.

Avoidance risks

We do not consider that a well-designed CGT exemption for qualifying stablecoins would, of itself, create significant new avoidance opportunities. The exemption is justified by the absence of meaningful price

appreciation on qualifying stablecoins relative to their reference currency, which means there is limited scope for gains to accumulate within a stablecoin position in the first place. The avoidance risk arises at the boundary between exempt and non-exempt assets, and it is at that boundary that the design of the framework should focus.

We would support HMRC's proposed approach of limiting the no gain, no loss treatment so that it does not apply across the exempt and non-exempt boundary, and of ensuring that gains rolled over from non-exempt assets continue to be within the scope of CGT on any future disposal. Both of these mechanisms address the boundary risk directly and without requiring overly complex anti-avoidance provisions that could create uncertainty for legitimate transactions.

Liquidity pools

Liquidity pool arrangements present additional complexity because they typically involve the simultaneous provision of two assets, one of which may be a qualifying stablecoin, in return for a pool token representing the holder's share of the pool. The tax treatment of the pool token, and of any gains or losses that arise when the holder redeems it, will need to be considered carefully in light of both the stablecoin exemption and the no gain, no loss framework.

We would encourage HMRC to engage with industry on the specific mechanics of liquidity pool arrangements before finalising the interaction rules, as the variety of pool structures in the market means that a one-size-fits-all approach may produce unintended outcomes. We would be happy to facilitate that engagement through our membership and to have further discussions with HMRC on this topic.