



HM Revenue
& Customs

Policy paper

Tax treatment of Cryptoasset Loans and Liquidity Pools

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Who is likely to be affected

Individuals and trustees entering into cryptoasset loans and liquidity pool arrangements.

General description of the measure

This measure will treat certain disposals involving cryptoasset loans and liquidity pools as being ‘no gain, no loss’ (NGNL), which effectively defers Capital Gains Tax until an economic disposal of the cryptoasset.

Policy objective

This measure will support fairness in the tax system. It aligns the tax treatment more closely with the economics of these arrangements by ensuring that gains and losses are generally recognised only when the participant makes an economic disposal of the cryptoassets.

Background to the measure

Following the publication of guidance by HMRC in 2022, setting out its interpretation of how the law applies to cryptoasset loans and liquidity pool arrangements, stakeholder feedback highlighted that this can lead to situations where the tax treatment leads to disproportionate administrative burdens.

HMRC published a call for evidence which was open from 5 July 2022 to 31 August 2022 seeking views on the taxation of cryptoasset loans and liquidity pools. This was followed by a consultation that ran from 27 April 2023 to 22 June 2023. Since the consultation HMRC has continued to engage with stakeholders on the design of the rules.

At Budget 2025, HMRC published a summary of responses to the 2023 consultation and set out a potential approach to address the issues raised.

This measure was announced on 13 July 2026.

Detailed proposal

Operative date

This measure will have effect from 6 April 2027.

Current law

This measure will amend the current law dealing with Capital Gains Tax for individuals and trustees. This is found in the Taxation of Chargeable Gains Act 1992.

Proposed revisions

The measure provides rules for Capital Gains Tax in relation to three scenarios:

(1) Single Cryptoasset Lending Arrangements

Single Cryptoasset Lending Arrangements are where an individual or trustee has a right to receive a number of qualifying cryptoassets (the invested cryptoassets) and a return, which is economically equivalent to a lending arrangement.

An acquisition or disposal of an interest in a Single Cryptoasset Lending Arrangement for the disposal of cryptoassets of the same type as the invested cryptoassets will be treated as being on a NGNL basis.

(2) Single Cryptoasset Borrowing Arrangements

Where an individual or trustee borrows qualifying cryptoassets, the borrowed cryptoassets will be treated as being acquired for market value consideration at the time of the borrowing. Furthermore, when cryptoassets of the same type are transferred back, the individual or trustee will be treated as disposing of the cryptoassets for an amount equal to that value.

Any provision of collateral under the cryptoasset borrowing arrangements will be disregarded for the purposes of Capital Gains Tax.

(3) Automated Market Making Arrangements

Automated Market Making Arrangements are arrangements operated by way of a smart contract in which an individual or trustee has interests comprising rights to two or more types of qualifying cryptoassets (the invested cryptoassets).

Where the individual or trustee acquires an interest in the arrangements in exchange for the disposal of cryptoassets of the same type as the invested cryptoassets to which the interest relates, the disposal will be on a NGNL basis.

Where the individual or trustee disposes of an interest in the arrangement and acquires cryptoassets of the same type as the invested cryptoassets to which the interest relates, the disposal is treated on a NGNL basis to the extent that the individual or trustee receives cryptoassets of the same quantity as those original invested. To the extent that the number of cryptoassets received is more or less than the quantity originally invested, a gain or loss will arise by reference to that difference.

Summary of impacts

Exchequer impact (£ million)

2025 to 2026	2026 to 2027	2027 to 2028	2028 to 2029	2029 to 2030	2030 to 2031
Empty	Empty	Empty	Empty	Empty	Empty

The final costing will be subject to scrutiny by the Office for Budget Responsibility and will be set out at a future fiscal event.

Macroeconomic impact

This measure will be formally assessed once costings have been certified by the Office for Budget Responsibility but is not expected to have any significant macroeconomic impacts.

Impact on individuals, households and families

This measure will impact on about 700,000 individuals that engage in cryptoasset loan and liquidity pool transactions. Individuals will benefit from having a tax framework which is easier to understand and engage with. It is not expected to impact on family formation, stability or breakdown.

This measure is expected to impact individuals' experience of dealing with HMRC as the tax framework more closely aligns with the economic substance.

Equalities impacts

Research commissioned by HMRC and undertaken in 2021 showed that those in younger age groups, particularly 16-44, were estimated to be overrepresented in the cryptoasset owner population (76%) compared to their prevalence in the UK adult population (46%). Males were also estimated to be overrepresented in the cryptoasset owner population (69%), as well as those from an Asian and Asian British ethnic background (11%), when compared to the UK adult population (51% and 5% respectively).

HMRC does not hold data on other protected characteristics of individuals impacted by this measure and so cannot assess if there are any impacts on other protected groups.

Administrative impact on business including civil society organisations

This measure is not expected to impact on businesses and civil society organisations.

Operational impact (£ million) (HMRC or other)

There are no operational impacts for HMRC.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be kept under review through communication with affected taxpayer groups.

Further advice

If you have any questions about this measure, email digitalassets@hmrc.gov.uk.



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