HMRC internal manual

Cryptoassets Manual

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CRYPTO20250 - Cryptoassets for individuals: what is trading

Only in exceptional circumstances would HMRC expect individuals to buy and sell exchange tokens with such frequency, level of organisation and sophistication that the activity amounts to a financial trade in itself. If the taxpayer's activity is considered to be trading then Income Tax will take priority over Capital Gains Tax and will apply to profits (or losses).

As with any activity, the question whether cryptoasset activities amount to trading depends on a number of factors and the individual circumstances. Whether an individual is engaged in a financial trade through the activity of buying and selling tokens will ultimately be a question of fact. It's often the case that individuals and companies entering into transactions consisting of buying and selling tokens will describe them as 'trades'. However, the use of the term 'trade' in this context is not sufficient to be regarded as a financial trade for tax purposes.

A trade in exchange tokens would be similar in nature to a trade in shares, securities and other financial products. The approach to be taken in determining whether a trade is being conducted or not would also be similar, and guidance can be drawn from the existing case law on trading in shares and securities.

More information on the existing approach and case law for share transactions and financial traders can be found in BIM56800 (https://www.gov.uk/hmrc-internal-manuals/business-income-manual/bim56800).

If the activity does not amount to trading the activity will be one of investment and Capital Gains Tax will apply, the guidance for which starts at CRYPTO22000 (https://www.gov.uk/hmrc-internal-manuals/cryptoassets-manual/crypto22000).

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