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Cryptoassets Manual

From: **HM Revenue & Customs (/government/organisations/hm-revenue-customs)**

Published: 30 March 2021

Updated: 28 November 2025 - **See all updates (/hmrc-internal-manuals/cryptoassets-manual/updates)**

CRYPTO22257 - Cryptoassets for individuals: Capital Gains Tax: pooling examples: example 7 - disposal of tokens to acquire different tokens (‘crypto-to-crypto' exchange)

Most types of tokens need to be purchased using another token. This means that a transaction may simultaneously affect two section 104 pools. This example illustrates how a transaction can affect two section 104 pools simultaneously.

Elina holds 100,000 token G in a section 104 pool. She spent a total of £300,000 acquiring them, which is her pooled allowable cost.

Elina enters into the following transactions:

- 31 August 20XX – acquisition of 10,000 token H (with a value of £3,200) for 1,000 token G (with a value of £3,200)

- 31 August 20XX – disposal of 5,000 token H (with a value of £1,700) for 600 token G (with a value of £1,920)
- 31 August 20XX – acquisition of 5,000 token H (with a value of £1,650) for 550 token G (with a value of £1,760)
- 4 September 20XX – disposal of 2,000 token H (with a value of £560) for 180 token G (with a value of £558)
- 16 September 20XX – acquisition of 4,000 token H (with a value of £1,080) for 400 token G (with a value of £1,080)
- 27 October 20XX – disposal of 12,000 token H (with a value of £2,400) for 900 token G (with a value of £2,430)

Elina entered into two acquisitions of token H on 31 August 20XX. These acquisitions are treated as a single acquisition of 15,000 token H on that date. That single acquisition is then matched as far as possible with the disposal of 5,000 token H on the same date. The remaining token H that were acquired go into a section 104 pool of token H.

Elina has also entered into two disposals of token G on 31 August 20XX. These two disposals are treated as a single disposal of 1,550 token G on that date. That single disposal is matched as far as possible with the acquisition of 600 token G on the same date. The disposal is then matched to the acquisition of 180 token G on 4 September 20XX. The remaining part of the disposal comes from the section 104 pool of token G.

Elina's disposal of 2,000 token H on 4 September 20XX is matched with the acquisition of 4,000 token H on 16 September 20XX as the acquisition takes place within 30 days of the disposal.

Elina's acquisition of 180 token G on 4 September 20XX goes into the section 104 pool for token G.

Elina's disposal of 400 token G on 16 September 20XX comes from the section 104 pool of token G.

Elina's disposal of 12,000 token H on 27 October 20XX comes from the section 104 pool for token H.

Elina's acquisition of 900 token G on 27 October 20XX goes into the section 104 pool for token G.

Elina will need to work out her gains/losses on the three disposals as follows:

31 August 20XX – disposal of token G

Consideration	Value of 15,000 token H acquired	£4,850
Less allowable costs – same day (600 token G)	Value of 5,000 token H disposed of on 31/08/20XX	(£1,700)
Less allowable costs – 30 day (04/09 – 180 token G)	Value of 2,000 token H disposed of on 04/09/20XX	(£560)
Less allowable costs – S104	£300,000 x 770 / 100,000 = £2,310	(£2,310)
Gain		£280

31 August 20XX – disposal of token H

Consideration	Value of token G acquired	£1,920
Less allowable costs – same day (5,000 token H)	(£3,200 + £1,760 = £4,960) x 5,000 / 15,000	(£1,653)

Gain		£267

4 September 20XX – disposal of token H

Consideration	Value of token G acquired	£558
Less allowable costs – 30 day (16/09 – 2,000 token H)	£1,080 x 2,000 / 4,000	(£540)
Gain		£18

16 September 20XX – disposal of token G

Consideration	Value of token H acquired	£1,080
Less allowable costs – S104	£297,690 x 400 / 99,230	(£1,200)
Loss		(£120)

27 October 20XX – disposal of token H

Consideration	Value of token G acquired	£2,430
Less allowable costs – S104		(£3,847)

Loss	(£1,417)

The section 104 pools are as follows:

Section 104 pool for token G

Date	**Quantity of token G**	**Pooled allowable costs**
Opening balance	100,000	£300,000
31/08/20XX - Disposal of 770 tokens	(770)	(£2,310)
Balance at 31/08/20XX	99,230	£297,690
16/09/20XX - Disposal of 400 tokens	(400)	(£1,200)
Balance at 16/09/20XX	98,830	£296,490
27/10/20XX - Acquisition of 900 tokens	+900	+£2,400
Balance at 27/10/20XX	99,730	£298,890

Section 104 pool for token H

Date	Quantity of token H	Pooled allowable costs
31/08/20XX - Acquisition of token H	+10,000	+£3,307
Balance at 31/08/20XX	10,000	£3,307
16/09/20XX - Acquisition of 2,000 tokens	+2,000	+£540
Balance at 16/09/20XX	12,000	£3,847
27/10/20XX - Disposal of 12,000 tokens	(12,000)	(£3,847)
Pool ceases	0	£0

This shows that the principles in the previous examples apply in the same way where the transaction involves the disposal of one type of token to acquire a different type of token. The important thing to remember in this situation is that every acquisition will involve a corresponding disposal that needs to be computed.

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