

HMRC internal manual

Cryptoassets Manual

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([/government/organisations/hm-revenue-customs](https://government/organisations/hm-revenue-customs))

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([/hmrc-internal-manuals/cryptoassets-manual/updates](https://hmrc-internal-manuals/cryptoassets-manual/updates))

CRYPTO42100 - Cryptoassets for businesses: Income Tax: exchange tokens provided in the form of Readily Convertible Assets (RCAs)

How to account for the income tax and National Insurance contributions depends on whether the exchange tokens are readily convertible assets. In particular, exchange tokens are readily convertible assets if trading arrangements exist, or are likely to come into existence, the effect of which is to enable the tokens to be converted into their monetary value.

There is more information about what constitutes readily convertible assets in EIM11900
(<https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim11900>).

HMRC considers that exchange tokens generally will be readily convertible assets. Where an employee is provided with employment income in the form of a readily convertible asset, the employer will need to apply a valuation to that readily convertible asset

using their best estimate and then subject it to the appropriate PAYE Income Tax and Class 1 National Insurance contribution deductions, which the employer should then report and pay over to HMRC in accordance with the real time reporting provisions.

The employer will generally recover the tax and employee National Insurance contributions due from other payments of employment income that are made to the employee. However if they are unable to do so, the employer must still account to HMRC for the full amount of tax and NICs due.

Where the employer makes payments to HMRC that cannot be recovered from the employee, the employee is obliged to 'make good' the Income Tax and employee Class 1 National Insurance contribution deductions their employer has paid on their behalf. If the employee does not make good those amounts within 90 days after the end of the tax year in which the notional payment is made, a further charge to Income Tax and both Primary and Secondary Class 1 National Insurance contributions will arise on those liabilities which the employee has not 'made good.'

Read more about [paying employees in shares, commodities or other non-cash pay](https://www.gov.uk/guidance/non-cash-pay-shares-commodities-you-provide-to-your-employees)
(<https://www.gov.uk/guidance/non-cash-pay-shares-commodities-you-provide-to-your-employees>).

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