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HMRC internal manual

Cryptoassets Manual

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CRYPTO61414 - Decentralised Finance: Lending and staking: Corporation Tax: Making a DeFi loan: Nature of the return

How the return (see CRYPTO61130 (https://www.gov.uk/hmrc-internal-manuals/cryptoassets-manual/crypto61130)) is taxed upon receipt by the lender/liquidity provider will depend on whether the return has the nature of capital or revenue. The nature of the return received by the lender/liquidity provider will depend on how the transaction is structured. The provision of a loan/staking of tokens is a constantly evolving area and so it is not possible to set out all the circumstances in which a lender/liquidity provider earns a return from their activities and the nature of that return.

The considerations to be made when determining the nature of the return are the same for Corporation Tax as they are for Income Tax further guidance is at CRYPTO61214 (https://www.gov.uk/hmrc-internal-manuals/cryptoassets-manual/crypto61214).

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