

HMRC internal manual

Cryptoassets Manual

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CRYPTO61673 - Decentralised Finance: Lending and staking: Chargeable Gains: Examples: Example 3: loan of tokens where the quantity of tokens is unascertainable

Beverley holds 100 tokens with a total acquisition cost of £200. Beverley enters into an agreement with Alex to loan him the 100 tokens with no fixed end date to the loan. Beverley can make a demand for the loan to be satisfied or at any time before that Alex can choose to satisfy the loan. They agree an annual percentage rate of 5% on the quantity of tokens loaned. At the time the loan is made, the tokens have a sterling value of £1.50 each.

Beverley's disposal is for a right to receive a future quantity of tokens. Beverley knows that she will receive 100 tokens to satisfy the principal of the loan. This means that section 48(1) Taxation of Chargeable Gains Act (TCGA) 1992 will apply to those 100 tokens. Section 48(1) TCGA 1992 brings the 100

tokens into the Chargeable Gains (CG) computation straight away.

Beverley also has a right to receive a 5% return per annum over an unknown period of time. It won't be possible to establish the quantity of tokens until the loan is satisfied, as that will fix the date for which that rate of return is applied up to. This means that Beverley also has acquired a right which is an asset for CG purposes. Beverley will need to establish the market value of that right and include that value in the CG computation. Beverley establishes the market value of that right to be £15. The value of that right won't be taxed as income, so section 37(1) TCGA 1992 won't apply.

Beverley's CG computation is as follows:

		£
Consideration	S48 TCGA 1992 – 100 x £1.50; plus market value of right - £15	165
Allowable costs		(200)
Loss		(35)

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