



Personal Tax NEWSLETTER

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We hope you enjoy reading this newsletter and find it useful. Please contact us if you would like to discuss any matters further.

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HMRC warning for cryptoasset investors

Changes to the self-assessment tax return signal HMRC's intention to go after those buying and selling cryptoassets.

Tax returns for 2024/25 will contain special questions relating to capital gains or losses resulting from transactions in cryptoassets, e.g. Bitcoin. Therefore, you should keep up-to-date records of any such transactions; date, value in sterling and dealing costs.

Tax return changes:

HMRC has already set out its design for self-assessment tax returns for 2024/25. The return will include dedicated questions in the capital gains pages (Form SA108) for purchases and sales of cryptoassets such as Bitcoin and Ethereum.

Special attention:

It's apparent HMRC considers that many taxpayers are not reporting or incorrectly reporting gains or losses they've made from investing in cryptoassets. January 2024 YouGov statistics showed 10% of the adult population has bought or own them. Of course, this doesn't mean they've all made gains that ought to have been declared to HMRC, but HMRC believes that there's a lack of awareness of when a declaration is required.

Exemption reduction:

Another factor makes undeclaration increasingly likely. In the space of a year the annual exempt amount for capital gains has been reduced from £12,300 (as it stood on 5 April 2023) to where it stands now at just £3,000. This means that if the aggregate of all your capital gains, net of any capital losses, made in 2024/25 exceeds £3,000, you will have to pay capital gains tax (CGT) on the excess at 10% if you're a basic rate taxpayer, or 20% if you pay at the higher or additional rate.

Guidance for holders of cryptoassets:

As well as understanding what and how to report, it's essential that you keep a record of each cryptoasset transaction, i.e. the date, its value in UK sterling and any dealing or brokers' costs (as these are CGT deductible). Keeping good records will make your life much easier in deciding if you need to include a declaration to HMRC and whether you have CGT to pay.