

Response to [HM Revenue and Customs Call for Evidence: Taxation of Stablecoins](#)

Submitted by: **Bitcoin Policy UK**

Date: **6 May 2026**

Contact: contact@bitcoinpolicy.uk

Capacity: Bitcoin Policy UK is an independent, non-partisan policy think tank and advocacy organisation. Our mission is to provide research and policy guidance to help position the United Kingdom as a global leader in Bitcoin innovation, digital payment infrastructure, and financial sovereignty.

Executive Summary

Bitcoin Policy UK welcomes HMRC's consultation on the taxation of stablecoins. We support the recognition that stablecoins' strong role in retail and wholesale payments may justify a tax treatment different from other cryptoassets. However, the same logic must apply with equal force to Bitcoin when it is used for purchasing goods and services, namely with a payment (not a speculative) function.

The recent performance of Bitcoin as a stabilising asset class further supports this. ¹Fidelity data indicates that a traditional 60/40 portfolio saw annualised returns increase from 9.4% to 14.6% over the last decade with just a 3% bitcoin allocation, signalling its maturation into financial infrastructure rather than mere speculation.

The current capital gains tax (CGT) regime creates a disproportionate administrative burden for everyday payments while raising negligible revenue for the exchequer. Lawful "bed-and-breakfasting" strategies mean HMRC collects almost no CGT from genuine payment activity, yet users and merchants face complex tracking, record keeping and reporting obligations that do not exist for cash or card transactions. This is the worst of both worlds with high friction and near-zero tax yield.

Bitcoin Policy UK recommends:

1. **Adoption of a 'Usage Based' exemption (Option 1):** HMRC should implement a full CGT exemption for all retail payments for goods and services. This removes the 'regulatory theatre' of tracking micro payments which, due to the lawful bed-and-breakfasting' strategies, currently yield next to no tax revenue.
2. **Functional Equivalence for Non-Sterling Assets:** The exemption must be extended to Bitcoin to reflect its dominant role in the UK's non-sterling payment ecosystem. A sterling only stablecoin exemption would create artificial market distortions and ignore existing infrastructure like the Lightning Network.

¹ <https://www.fidelitydigitalassets.com/research-and-insights/bitcoin-first-revisited>

3. **The Velocity Multiplier & VAT Uplift:** We urge the Treasury to recognise that removing CGT friction triggers a ‘velocity multiplier’. Higher transaction frequency will lead to materially enhanced VAT collection, more than offsetting any negligible loss in CGT.

A bold reform would position the UK as the global leader in cryptoasset payments policy, driving economic growth, innovation and increased tax revenue from VAT.

1. The Current System’s Administrative Burden

Every disposal of cryptoassets, including using Bitcoin to buy a coffee, is a chargeable CGT event. Individuals must calculate sterling-equivalent acquisition and disposal values, maintain detailed records and report transactions once aggregate proceeds exceed £50,000, even if they make losses. Compliance demands specialist software or professional advice, creating barriers that do not exist for traditional payment methods.

For sterling-denominated stablecoins the position is particularly artificial. Price stability means capital gains are negligible, yet the same onerous tracking and reporting rules apply. This is regulatory theatre, since these costly procedures serve no meaningful tax-collection purpose.

The result is real world deterrence. Consumers convert to fiat first to avoid compliance hassle. Merchants hesitate to accept Bitcoin. Some users simply ignore the rules. Innovation is stifled. As the consultation itself notes, this burden does not exist for cash or card payments and therefore discourages cryptoasset use.

2. Bitcoin’s Functional Equivalence as a Payment Medium

Bitcoin performs the same economic functions as stablecoins when used for payments: it acts as a medium of exchange, unit of account and store of value for immediate transactions, with irreversible settlement. The consultation’s rationale (payment utility) applies directly to Bitcoin, whose UK payment infrastructure is already more mature than that of any stablecoin .

²Industry data reveals that bitcoin accounts for over 22% of the total cryptoasset payments in the UK, reinforcing its role as the dominant non-sterling payment asset.

Examples include Musqet ³ (a British payment processor enabling Bitcoin acceptance across hospitality and retail), the Bitcoin Collective’s Business Network (connecting dozens of UK merchants), and Lightning Network point-of-sale tools that turn any smartphone into an instant, low-cost payment terminal. Global merchant acceptance and Lightning’s speed and low fees far exceed current sterling-stablecoin networks.

² <https://coingate.com/blog/post/crypto-payments-data-report-2025>

³ <https://musqet.com/>

Price volatility is not the decisive factor. Bitcoin users making payments typically acquire funds specifically for spending and minimise holding periods. This mirrors exactly how the consultation expects stablecoins to be used for everyday purchases. Foreign-currency volatility does not prevent tourists spending euros in France; the same principle should apply to Bitcoin. Crucially, the current CGT rules are already ineffective. Most Bitcoin payment activity uses immediate “bed-and-breakfasting” (where a holder spends Bitcoin, and then repurchases an identical amount) to reset the cost basis lawfully. HMRC therefore collects virtually no CGT from genuine payments. An exemption would simply recognise this reality and remove the pointless compliance burden.

3. International Competitive Context

Other jurisdictions are moving decisively. In December 2025 the Czech Republic eliminated CGT on Bitcoin held for three years, explicitly aiming to attract talent, companies and economic activity ⁴. Germany exempts crypto gains after a 12-month holding period and applies a €1,000 annual allowance, recognising the dual investment/payment nature of cryptoassets. Several US states have passed Bitcoin Rights Bills protecting payment usage, and Square has enabled Bitcoin acceptance by default on millions of its terminals nationwide ⁵.

The UK risks falling behind. Without reform, talent and capital will migrate to more forward thinking jurisdictions, while the UK misses the chance to lead in Bitcoin payments infrastructure.

4. Economic Benefits of Modernisation

Removing CGT friction would increase payment adoption, raising transaction velocity and generating higher VAT receipts that easily offset any negligible lost CGT.

BPUK argues that this creates a ‘velocity multiplier’. By eliminating the administrative friction of CGT on micro transactions, the Treasury stands to gain materially higher VAT revenue from the increased frequency of commerce, which currently remains stifled by compliance costs.

Faster, cheaper payments (especially via Lightning) reduce merchant costs, expand the VAT base and boost overall economic activity.

Consumers gain greater choice, lower costs, privacy and financial inclusion. Merchants benefit from instant settlement and no chargebacks. The UK would attract fintech startups, retain talent and become Europe’s centre for crypto payments innovation, all while delivering jobs, corporation tax and long term economic growth.

⁴ <https://www.muni.cz/en/about-us/news/czech-republic-to-become-a-crypto-hub>

⁵ <https://investors.block.xyz/news/default.aspx>

5. Money versus Commodity: The Right Distinction

English tax law already distinguishes foreign currencies (treated as money, not investments) from commodities. Bitcoin functions as non-state money: a unit of account, medium of exchange and store of value with growing network effects. Policy should follow usage, not asset class.

Bitcoin Policy UK recommends a clear usage based matrix to ensure the tax system remains fair while encouraging innovation:

- Retail payments - Full CGT exemption (treated as money/foreign currency model)
- Speculative trading - Full taxation under existing regimes
- Long term investment - Standard CGT applied upon disposal, consistent with other investment assets.

This usage based approach is clear, administrable and consistent with existing tax principles.

6. Recommendations for Questions 11 and 12

We strongly support **Option 1**: complete CGT exemption for all cryptoasset payments for goods and services. Threshold based relief (Option 2) would retain unnecessary tracking burdens. The exemption must cover non-sterling assets with demonstrated payment utility, including Bitcoin. Payment function, not denomination or issuer, should determine treatment. Sterling-stablecoin-only rules would distort markets and ignore existing Bitcoin ecosystems. Implementation should include:

- Clear statutory definition of “payment for goods and services” with examples;
- Safe harbour provisions;
- Coordination with FCA payment services rules, VAT and corporation tax;
- Alignment with the broader crypto regulatory timeline.

Existing anti-avoidance rules are sufficient to prevent abuse.

Conclusion

This consultation is a watershed moment for UK cryptoasset policy. The government’s own logic for granting stablecoin payment relief applies with equal force to Bitcoin and every other cryptoasset that functions as a medium of exchange. To confine the exemption to stablecoins alone would create artificial market distortions, ignore the thriving Bitcoin payment ecosystem that already exists, and squander Britain’s chance to seize global leadership.

By adopting a comprehensive, usage-based CGT exemption for all qualifying cryptoasset payments, the UK can eliminate needless administrative friction, recognise economic reality,

unlock substantial VAT revenue through higher transaction velocity, and establish itself as the world's most progressive jurisdiction for crypto payments. Talent will stay, investment will flow, innovation will flourish, and the resulting jobs, growth and prosperity will benefit the entire economy for decades to come.

The future of payments is digital. With our proud tradition of excellence in both computer technology and in finance, the future of digital-payments policy should be British.

Bitcoin Policy UK stands ready to provide any further data, VAT modelling or technical drafting support HMRC may require.

Freddie New Co-Founder and Chief Policy Officer
Bitcoin Policy UK

Susie Violet Ward Co-Founder and Director
Bitcoin Policy UK

7 May 2026