Don’t forget to claim your crypto losses

In general, HMRC treats engagement with cryptoassets like bitcoin, litecoin and ether as investing, with gains and losses subject to capital gains tax (CGT) when they’re disposed of. Cryptoassets are defined by HMRC as “cryptographically secured digital representations of value or contractual rights that can be transferred, stored and traded electronically”.

In rare circumstances where an individual is trading with such frequency and sophistication that HMRC would consider them to be carrying out a trading activity, then income tax could apply rather than CGT.

However, some individuals (and companies) may potentially have capital losses from holding cryptoassets, particularly following the crypto market crash in November 2022.

Those losses could be due, for example, to the resultant fall in value of their assets or the loss of assets due to the collapse of FTX Trading Ltd – one of the largest crypto exchanges.

It’s advisable to review any capital losses on cryptoassets and to make a claim, where possible but the timing of claims could be important. There are some unusual cryptoassets available and care needs to be taken over how any income and sales proceeds are treated.

A capital loss for an individual must be claimed within four years of the end of the tax year in which it arose, so by 5 April 2024 for losses that arose in 2019/20, for example.

Making a claim for capital losses on cryptoassets could help to soften the blow of the severe cuts in the CGT annual exemption – down from £12,300 to £6,000 since 6 April this year and down to £3,000 from April 2024.

Shipleys has been advising clients on the tax treatment of cryptoassets for some years now. For help and guidance, please do get in touch with your usual Shipleys contact.

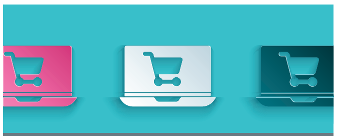
The tax implications of home letting via Airbnb

Letting out all or part of your home via sites like Airbnb can generate welcome income, but there are also tax considerations to think about.

How much tax you pay depends on the income you generate, how much of your home you let out and how often.

There is £7,500 per year rent-a-room tax relief on gross rental income on qualifying property, while VAT-registered landlords pay 20% VAT on rent and must keep digital records in accordance with the Making Tax Digital initiative. Business rates may be payable, subject to certain reliefs.

Seeking professional advice is recommended – particularly for potential capital gains tax liability when selling a property that has been let. More details at: *https://tinyurl.com/yc277f23*



HMRC targets income from digital platforms

Thousands of social media influencers and online sellers are being sent so-called nudge letters, in which HMRC asks them to either make a disclosure about their income or state they have nothing to report.

Some influencers who receive payment in the form of clothes, holidays or beauty products, or any other ‘freebies’, for promoting a brand might not realise that they may need to pay tax on these goods and services.

People selling online will also need to declare their earnings and complete a self-assessment tax return if they earn over the annual trading allowance of £1,000.

They may also owe capital gains tax if they generated a profit of more than £12,300 in the last tax year selling high-value second-hand items, if they are not ‘trading’. More sellers are likely to get caught by CGT after the annual allowance was cut to £6,000 from April this year.

Start date for digital tax returns delayed

The launch of making tax digital for income tax self-assessment (MDT ITSA) has been postponed from April 2024 until 6 April 2026, and it will be introduced in phases.

Self-employed individuals and landlords with a turnover exceeding £50,000 will be mandated to join from April 2026, while those with turnovers greater than £30,000 will be obliged to use it from April 2027.

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