



## Individuals holding cryptoassets: uptake and understanding

HMRC

February 2022

Report authors: Alice Fearn, Charlotte Saunders. Kantar Public.

The views in this report are the author's own and do not necessarily reflect those of HM Revenue and Customs.

Research report number: 643



© Queen's Printer and Controller of HMSO 2022

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

Published by HM Revenue and Customs, July 2022

# Contents

<b>Glossary</b> .....	<b>4</b>
<b>1.Executive Summary</b> .....	<b>5</b>
1.1Research background .....	5
1.2Key characteristics of cryptoasset owners .....	5
1.3Patterns of cryptoasset acquisition and disposal .....	6
1.4Understanding tax treatment .....	6
1.5Cryptoasset ownership preferences.....	6
1.6Future views of cryptoassets .....	7
<b>2.Introduction</b> .....	<b>8</b>
2.1Research context .....	8
2.2Research aims and objectives .....	8
2.3Method.....	8
2.4Reporting notes.....	9
2.5Cryptoasset understanding.....	10
<b>3.Cryptoasset ownership</b> .....	<b>11</b>
3.1Key characteristics of the population .....	11
3.2Profile of cryptoasset owners.....	15
<b>4.Patterns of cryptoasset acquisition and disposal</b> .....	<b>21</b>
4.1Cryptoasset acquisition .....	21
4.2Cryptoasset disposal .....	23
4.3Profits and losses.....	26
<b>5.Understanding tax treatment</b> .....	<b>29</b>
5.1Awareness of the tax liability .....	29
5.1Getting cryptoasset tax advice.....	35
5.1HMRC contact and guidance.....	36
<b>6.Cryptoasset use and ownership preferences</b> .....	<b>38</b>
6.1Other uses for cryptoassets.....	38
6.2Preferences in owning cryptoassets .....	40
<b>7.Future views of cryptoassets</b> .....	<b>42</b>
7.1General view of cryptoassets.....	42
7.2Likelihood of future cryptoasset acquisition.....	42
<b>8.Key insights</b> .....	<b>47</b>
8.1Group A (7% of cryptoasset owners) .....	47
8.2Group B (21% of cryptoasset owners) and Group C (60% of cryptoasset owners) .....	47
8.3Group D (12% of cryptoasset owners) .....	47
<b>9.Appendix A: Approach to weighting</b> .....	<b>53</b>

# Glossary

<b>Capital Gains Tax</b>	A tax levied on profit from the disposal of an asset.
<b>Cryptoasset (cryptocurrency)</b>	There is no single, widely-agreed definition of a cryptoasset. Broadly, a cryptoasset is a cryptographically secured digital representation of value or contractual rights that uses some type of distributed ledger technology (DLT) and can be transferred, stored or traded electronically.
<b>Decentralised exchange (DEX)</b>	A decentralised exchange (DEX) is a peer-to-peer (P2P) marketplace that connects cryptoasset buyers and sellers.
<b>Distributed ledger technology (DLT)</b>	A digital system for recording transactions of assets across multiple entities or locations at the same time.
<b>Disposal</b>	This includes selling tokens for money, exchanging tokens for a different type of token, using tokens to pay for goods and services and giving away token to another person.
<b>Fiat money</b>	National currency made legal tender by a government decree.
<b>Initial coin offering</b>	A type of funding using cryptoassets. A quantity of cryptoasset is issued in the form of "tokens" ("coins") to investors, in exchange for legal tender or other cryptoasset.
<b>Mining</b>	The process of gaining cryptoassets by solving cryptographic equations with the use of computers.
<b>Pay As You Earn (PAYE)</b>	The system of tax collection where an employer or pension provider deducts Income Tax and National Insurance contributions before they pay wages or pension and remits the amounts deducted to HMRC.
<b>Peer-to-peer site</b>	A decentralised platform whereby two individuals interact directly with each other, without intermediation by a third party.
<b>Privacy tokens</b>	Cryptoasset that conceals the information present in a typical transaction. Hence, these coins allow for a non-disclosure of identity, providing users with financial privacy.
<b>Self Assessment</b>	A system HMRC uses to collect Income Tax and Capital Gains Tax. Tax is usually deducted automatically from wages, pensions and savings. People and businesses with other income must report it in a Self Assessment tax return and pay any tax due to HMRC.
<b>Stablecoins</b>	Cryptoassets where the price is designed to be pegged to a cryptocurrency, fiat money, or to exchange-traded commodities.
<b>Utility tokens</b>	A digital token that is issued in order to fund development of the cryptoasset and that can be later used to purchase a good or service offered by the issuer of the cryptoasset.

# 1. Executive Summary

## 1.1 Research background

HM Revenue & Customs (HMRC) commissioned research agency Kantar UK to explore the cryptoasset market in the UK. Cryptoassets are underpinned by a rapidly evolving innovation called distributed ledger technology (DLT). HM Revenue & Customs (HMRC) has published tax guidance for cryptoasset owners and recognises that the technology will continue to develop. HMRC and other government stakeholders needed up to date evidence on the cryptoasset market to enable policy development.

The aim of this research was to understand the population of individuals that currently and have previously held cryptoassets. Its objectives were to:

- estimate the size of the population;
- capture the demographic profile of the population;
- measure experiences and behaviours as they transact in the marketplace; and
- capture other contextual characteristics and attitudes.

To meet the objectives data was collected in two stages. The first stage used 'Public Voice', Kantar's respondent panel which takes a random probability approach to sampling and a mixed mode (online and telephone) approach to surveying. Overall, 459 cryptoasset owners qualified for and participated in the full Public Voice survey. The sample was boosted with additional online fieldwork using Kantar's 'Profiles' panel. Overall, 254 cryptoasset owners qualified for and participated in the full Profiles survey.

In this report, the group described as 'cryptoasset owners' includes current holders *and* those who had previously owned but had since disposed of all their cryptoassets.

77% of all adults correctly recognised that cryptocurrency was a 'digital currency that can only be traded electronically'. Recognition was higher among cryptoasset owners (93%) than non-owners (75%).

## 1.2 Key characteristics of cryptoasset owners

10% of UK adults said they hold or have held a cryptoasset. The majority of which currently held cryptoassets (82%, equivalent to 8% of the adult population), with 55% never having sold any (equivalent to 5% of the adult population). 53% of current owners had holdings of up to £1,000, with 7% holding more than £5,000 in value.

Cryptoasset owners tended to be younger than the general population: 76% were under 45 compared with 45% of the general population. Most owners were male (69%).

The majority of owners said tax was deducted before they were paid, also known as PAYE (65%), while 25% paid tax through self-assessment. Among other types of investments held by cryptoasset owners, an ISA was most common (43%), but 56% said they held at least one other investment that was not an ISA. 19% of owners said they had a professional financial advisor.

Cryptocurrencies were reported to be the most commonly held type of cryptoasset (79%), followed by utility tokens (20%). The most mentioned reason for having cryptoassets was that they are a 'fun investment' (52%), while 19% said cryptoassets were a 'core part of my investment portfolio'.

### **1.3 Patterns of cryptoasset acquisition and disposal**

The most frequently mentioned method of acquisition was through a 'centralised exchange', by 68% of owners. Among the ownership population, 13% were frequent traders who had acquired cryptoassets at least ten times in the last two years and a further 47% made between two and ten acquisitions. 24% held or planned to hold their cryptoassets for at least one year, and 35% said they would hold them for up to one year. 28% said it varied too much to say.

Similar to acquisition, the most frequently mentioned method of disposal was through a 'centralised exchange', by 81% of owners. Among owners who had disposed of any cryptoassets in the last two years, 15% were frequent traders who had made disposals at least ten times in the last year. Further, 54% disposed of cryptoassets between two and nine times. 8% said they disposed of at least £5,000 worth of cryptoassets in the last year, and 8% said they disposed of more than £1,000 but less than £5,000.

The majority of owners reported making a profit (63%) over the past year when disposing of cryptoassets. 14% said they made a loss and, similarly, 14% said they broke even. Profits and losses in the last year tended to most often be less than £500. 8% of owners that had disposed of cryptoassets reported a profit in excess of £12,500.

### **1.4 Understanding tax treatment**

Over two fifths (42%) of owners were aware that they might be liable to pay tax when they bought goods and services using cryptocurrency. Of these, 45% thought Capital Gains Tax might be liable and 40% said VAT.

The main use of cryptoassets is for investment purposes, so they are generally within scope of Capital Gains Tax. Understanding of Capital Gains Tax was mixed: 34% of owners said they had a good understanding, but 37% knew little or nothing and 22% were not familiar with it at all.

Almost three in ten owners (28%) had seen HMRC's guidance on how individuals who owned cryptoassets are taxed. The majority agreed it was clear (87%) and that it had helped them to understand their responsibilities (81%). Furthermore, 56% had received information on the tax treatment of cryptoassets from at least one source.

16% of owners had sought tax advice about their cryptoassets. The most common times tax advice was sought were while holding the cryptoasset (39%) and on acquisition (37%).

53% of owners had contacted HMRC at least once in the last year, though the reason for which was not necessarily about cryptoassets. When dealing with HMRC generally, cryptoasset owners were split between those who did so on their own behalf (50%) and those that dealt with HMRC through a paid agent, their employer or a friend or family member (50%).

### **1.5 Cryptoasset ownership preferences**

Overall, 13% of owners had used their cryptoassets to place a bet, and 9% had been paid for work with cryptoassets. Around a quarter (26%) of cryptoasset owners were using or had used any Decentralised Finance products. Using cryptoassets to generate a return, also known as 'yield farming', was the most commonly mentioned (12%) use of Decentralised Finance products.

The most mentioned method for storing a private key was a 'centralised exchange', with 46% of owners. Almost half (45%) of cryptoasset owners mainly aimed to use UK based exchanges when purchasing cryptocurrency, while 22% did not and 33% did not know.

## **1.6 Future views of cryptoassets**

16% of all adults considered it 'very likely' (6%) or 'somewhat likely' (10%) that they would acquire cryptocurrencies in the future. Among just cryptoasset owners, the majority (68%) said they were very or somewhat likely to acquire more cryptoassets, compared with 10% of non-owners. Overall, 26% of adults said acquisition would be more likely if they could earn a return on their holding, which included 69% of owners and 22% of non-owners.

Overall, 8% of adults said they would be more likely to acquire cryptoassets if a large technology firm created their own cryptocurrency (27% of cryptoasset owners and 6% of non-owners).

## 2. Introduction

### 2.1 Research context

HM Revenue & Customs (HMRC) commissioned research agency Kantar UK to explore the cryptoasset market in the UK. Cryptoassets are underpinned by a relatively recent and rapidly evolving innovation called distributed ledger technology (DLT). The evolving nature of cryptoassets poses a challenge for policy makers and regulators. HM Revenue & Customs (HMRC), for example, has set out how cryptoassets should be taxed<sup>1</sup> and has published guidance for owners, and recognises that the policy will continue to develop. HMRC needed up to date evidence on the cryptoasset market to develop tax policy.

### 2.2 Research aims and objectives

This research captures cryptoasset owners' key characteristics and behaviours to inform development of tax policy. The aim of this research was to understand the population of individuals that currently and have previously held cryptoassets. Specifically, its objectives were to:

- estimate the size of the population;
- capture the demographic profile of the population;
  - standard measures such as gender and age; and
  - wider measures such as method of paying tax and engagement with government;
- measure their experiences and behaviours as they transact in the marketplace, including;
  - the types of cryptoassets they own and the platforms they use to buy them;
  - the amount (GBP) of cryptoassets they hold or have previously held; and
  - how often they buy cryptoassets and the length of time they hold or intend to hold them.
  - amounts profited or lost on disposal of cryptoassets.
- capture other contextual characteristics and attitudes, including:
  - the underlying reason(s) for buying cryptoassets;
  - whether they hold other investments, and if so what; and
  - their understanding of the taxable status of cryptoassets.

### 2.3 Method

As no sampling frame exists for cryptoasset owners and incidence was expected to be relatively low, a large sample was needed to screen in members of the target group from the general public. To meet the core objectives to (i) estimate the size of the population and (ii) obtain a sample large enough for robust exploration, data was collected in two stages:

1. The first stage used 'Public Voice', Kantar's respondent panel which takes a random probability approach to sampling and a mixed mode (online and telephone) approach to surveying. A large (n=5,916) representative sample of the UK population was screened to generate a representative

---

<sup>1</sup> [HMRC Guidance - Tax on Cryptoassets](#)



sample of cryptoasset owners. Overall, 459 cryptoasset owners qualified for and participated in the full Public Voice survey. This data was used to estimate the size of the population.

2. The sample of cryptoasset owners was boosted with additional online fieldwork using 'Profiles' panellists. Profiles is Kantar's access panel which uses a convenience sampling approach to survey respondents of interest. Overall, 254 cryptoasset owners qualified for and participated in the full Profiles survey. This data was combined with Public Voice data to profile cryptoasset owners.

The questionnaire was developed by Kantar in collaboration with HMRC. Questions were cognitively tested prior to going into field. A short set of screening questions established whether or not the individual had ever owned cryptoassets. The survey took c.10 minutes to complete.

Public Voice fieldwork ran from 15 February 2021 to 30 April 2021, and Profiles fieldwork ran from 16 to 22 June 2021<sup>2</sup>.

## 2.4 Reporting notes

This report outlines the findings from the research, which focused on individuals that had *ever* owned a cryptoasset. This group is referred to as 'cryptoasset owners', but sometimes simply 'owners' for brevity. In this context 'cryptoasset owners' includes current holders *and* those who had previously owned but had since disposed of all their cryptoassets. The report is arranged by theme, and where possible, findings have been triangulated with other data to provide context.

Bivariate analysis has been used to build a profile of cryptoasset owners and generate insight to inform policies that ensure appropriate taxation and compliance. This type of analysis identifies relationships between two variables, for example, a behaviour that is more common among one subgroup. Subgroup differences are only reported when they are both statistically significant and relevant to the research objectives. A wide range of subgroup categories were analysed:

- basic demographics: gender, age, ethnicity and employment status.
- personal finances: type of taxpayer, income, whether they held other investments or had a financial advisor.
- cryptoasset behaviours: current or former owner, frequency of acquisition/disposal, value of cryptoasset holdings, likelihood of future acquisition.
- understanding of taxation: whether they had seen HMRC guidance and awareness of Capital Gains Tax.

Additional reporting and analytical conventions include:

- the terms 'cryptoassets' and 'cryptocurrencies' are used interchangeably throughout this report. The survey questionnaire predominately used the term 'cryptocurrencies' to refer to cryptoassets as this was believed to be more widely understood, compared with the more encompassing term 'cryptoassets'. The research objectives covered cryptoassets, and not just cryptocurrencies.
- 'own', 'owning', 'owners', 'held' and 'holdings' are all terms used in this report to describe being in possession of cryptoassets.
- statistical significance is judged at the 95% confidence level.
- results with a base size of fewer than 50 respondents have not been reported.
- percentages for single-response questions may not always sum to 100% because of rounding.

---

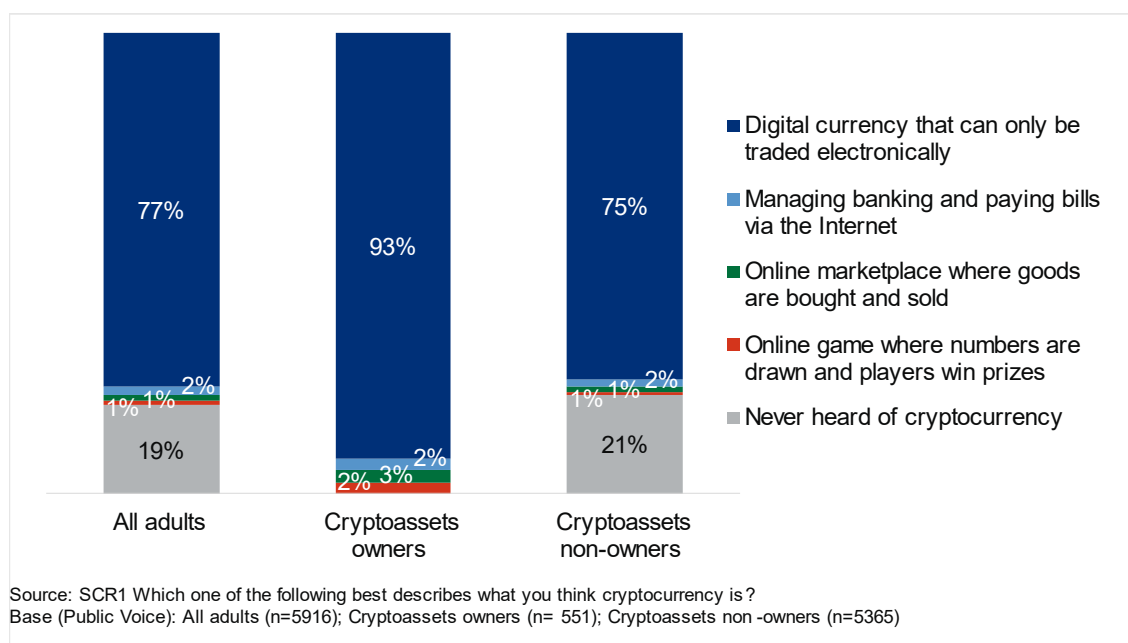
<sup>2</sup> The research method was originally designed to include face to face data collection, and take place in Spring 2020. However, due to the impact of the Covid-19 pandemic the research was redesigned and fieldwork was postponed to 2021.

- where respondents have given multiple responses to a question, the sum of the individual responses will be greater than 100%.
- data are weighted. Further detail on the approach to weighting is in Appendix A.

## 2.5 Cryptoasset understanding

To measure basic understanding of cryptocurrency, respondents were asked to select one of four descriptions that best matched what they thought it was. Figure 2.1 shows the descriptions and responses across the general population, and by owners and non-owners. A full breakdown of findings is shown in Table 2.1.

Figure 2.1 Recognised definition of cryptocurrency



77% of all adults correctly recognised that cryptocurrency was a 'digital currency that can only be traded electronically'. A fifth (19%) had never heard of cryptocurrency. Recognition was higher among cryptoasset owners (93%) than non-owners (75%).

Table 2.1 Recognised definition of cryptocurrency

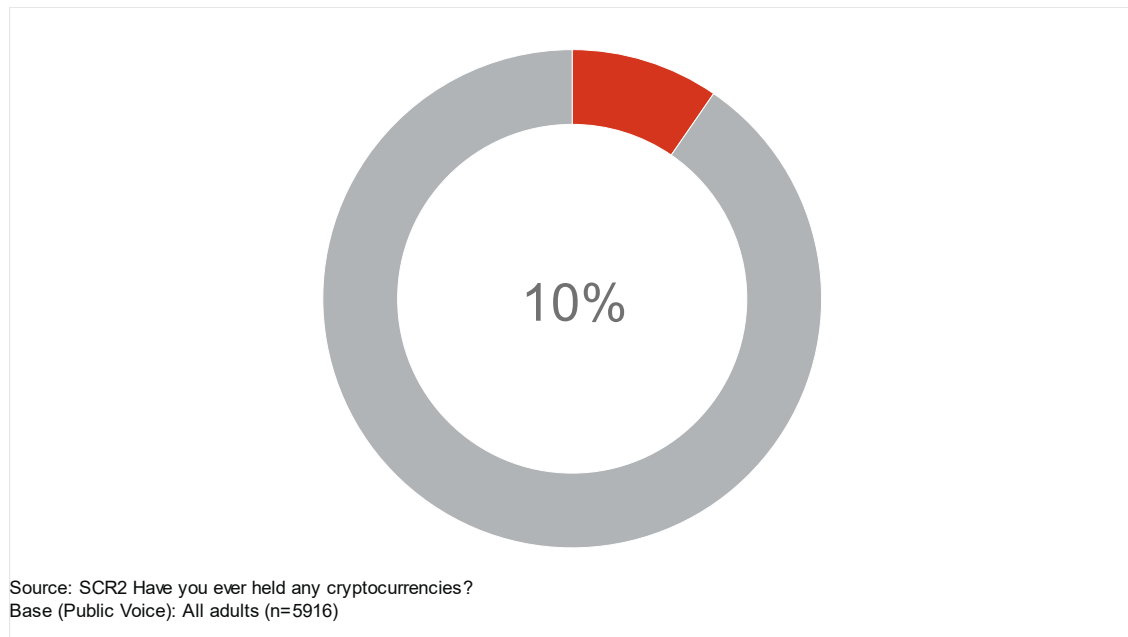
	<i>All adults</i>	<i>Cryptoasset owners</i>	<i>Cryptoasset non-owners</i>
<b>Digital currency that can only be traded electronically</b>	77%	93%	75%
<b>Managing banking and paying bills via the Internet</b>	2%	2%	2%
<b>Online marketplace where goods are bought and sold</b>	1%	3%	1%
<b>Online game where numbers are drawn and players win prizes</b>	1%	2%	1%
<b>Never heard of cryptocurrency</b>	19%	0%	21%
<b>Base</b>	5916	551	5365

## 3. Cryptoasset ownership

### 3.1 Key characteristics of the population

One of the core objectives of this research was to estimate the size of the market. This was achieved by estimating the incidence of cryptoasset ownership within the UK adult population. As Figure 3.1 shows, 10% of adults said they had ever held a cryptoasset<sup>3</sup>.

Figure 3.1 Incidence of ever having owned cryptoassets among all adults



Ownership was more prevalent among:

- men (13%, compared with 6% of women);
- younger age brackets (18-24: 20%, 25-44: 15%, compared with 45-64: 6% and 65+: 2%); and
- Asian (19%) and Black (24%) ethnic groups (compared with 9% White).

The Financial Conduct Authority (FCA) conducted research in January 2021<sup>4</sup> which also estimated the incidence of cryptoasset ownership. That research found that 5.7% of the adult population had ever held a cryptocurrency<sup>5</sup>.

Figure 3.2 shows cryptoasset owners, which made up 10% of the adult population, broken down by whether or not they had sold some or all of their holdings. The chart presents this in the context of the whole adult population and by cryptoasset owners specifically. The majority of all owners currently held cryptoassets (82%, equivalent to 8% of the adult population), with 55% never having sold any (equivalent to 5% of the adult population). A full breakdown of findings is shown in

Table 3.1.

<sup>3</sup> The (unrounded) 95% confidence interval around this estimate is  $\pm 1.1\%$  which means that we can be 95% confident that the true proportion lies somewhere between 8.5% and 10.7%.

<sup>4</sup> [Research Note: Cryptoasset consumer research 2021 | FCA](#)

<sup>5</sup> The cause of this discrepancy is difficult to pinpoint, but differences in the questionnaire and method, including the sampling approach and mode of data collection, could have contributed. Further research could seek to understand the differences.

Figure 3.2 Cryptoasset ownership status: whether currently hold or formerly held

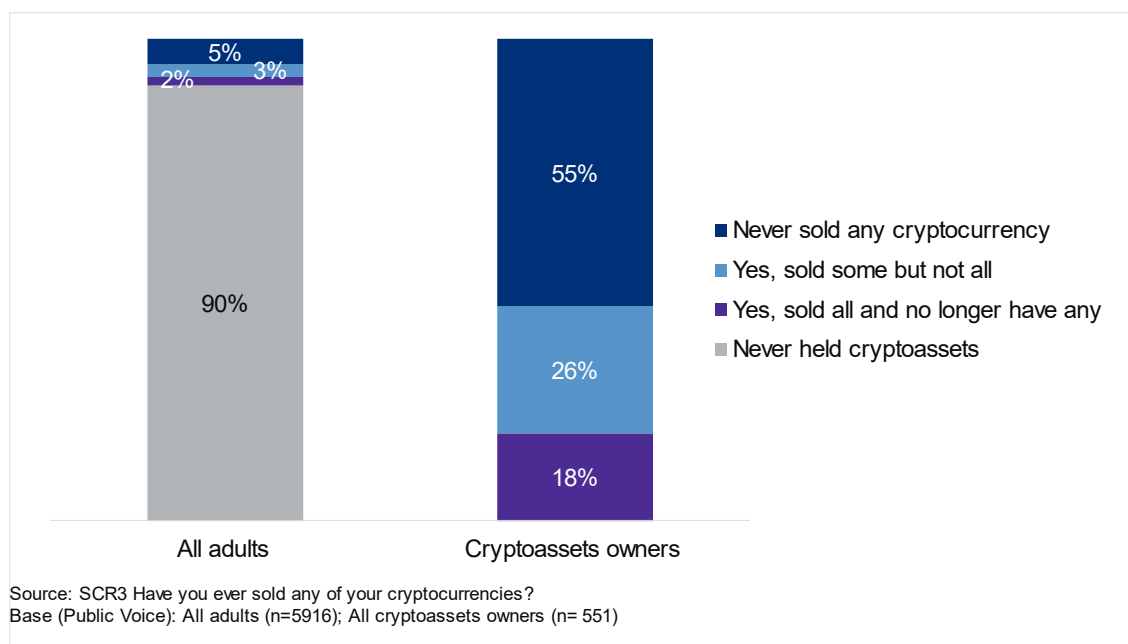


Table 3.1 Cryptoassets ownership status: whether currently hold or formerly held

	All adults	Cryptoasset owners
<b>Never sold any cryptocurrency</b>	5%	55%
<b>Yes, sold some but not all</b>	3%	26%
<b>Yes, sold all and no longer have any</b>	2%	18%
<b>Never held cryptoassets</b>	90%	0%
<b>Base</b>	5916	551

Having bought and never sold cryptocurrency tended to be higher among those that earn less than the personal allowance<sup>6</sup> (66% of those on less than £12,500), as well as those with cryptoasset holdings of a value up to £100 (78%).

Having acquired *and* disposed of some, but not all, cryptoassets tended to be higher among those that:

- had a financial advisor (36%);
- had seen HMRC tax guidance (45%) and had a good understanding of Capital Gains Tax (39%); and
- with high value cryptoasset holdings (£1,001-£5,000: 50%, £5,000+: 67%).

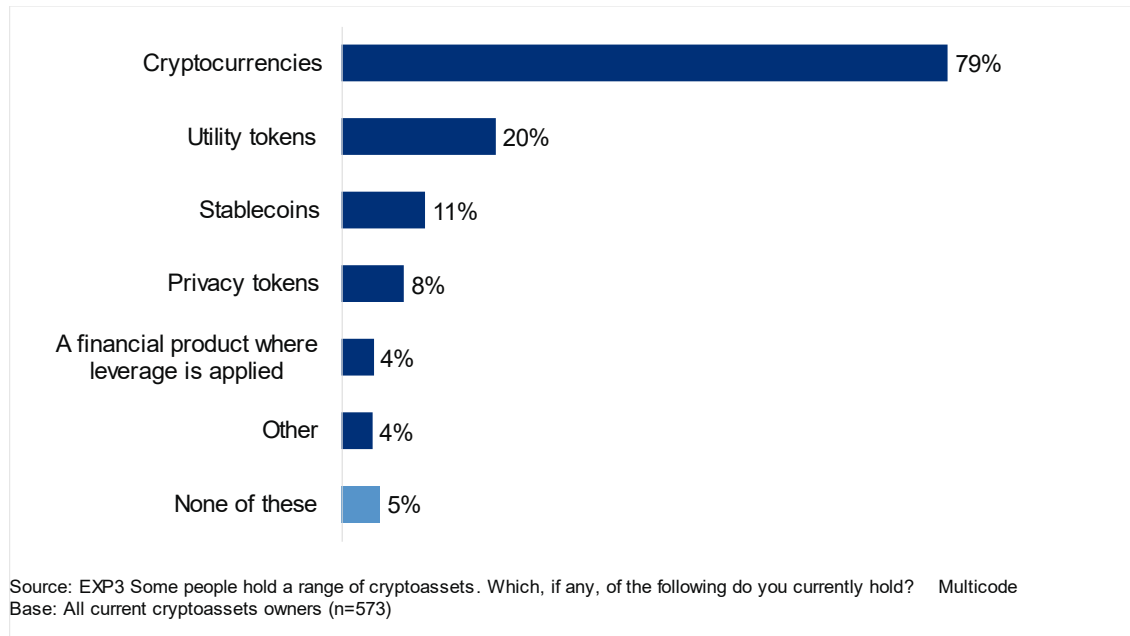
Former owners of cryptoassets, that is those who had sold all of their previous holdings, tended to be higher among those that were older (65+: 34%) or 'not very likely' to acquire them in the future (29%).

Current owners were asked what type or types of cryptoassets they held. Findings are shown in Figure 3.3. Cryptocurrencies were reported to be the most commonly held type of cryptoasset (79%), followed

<sup>6</sup> The last full tax year before the start of fieldwork in February 2021 was 2019/2020 when the standard Personal Allowance was £12,500.

by utility tokens (20%). Other types of cryptoassets were mentioned at lower levels, including stablecoins (11%) and privacy tokens (8%).

*Figure 3.3 Types of cryptoassets owned by current cryptoasset owners*



Among current owners, cryptocurrencies were more often held by 25 to 44 year olds (85%) and those with annual income above £50,000 (90%).

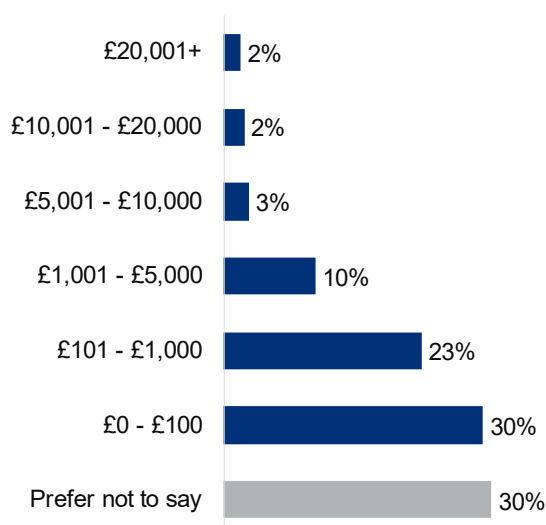
Non-cryptocurrency types of cryptoassets tended to be held more often by current owners:

- with other types of investments (utility tokens: 22%, stablecoins: 13%, privacy tokens: 10%);
- with a financial advisor (utility tokens: 32%, stablecoins: 23%, privacy tokens: 18%); and
- with high value (£5,000+) holdings (utility tokens: 39%, stablecoins: 25%, privacy tokens: 20%).

Figure 3.4 shows the distribution of the total value of cryptoassets held by current owners. Data was collected in GBP and has been banded for analysis<sup>7</sup>. 53% of current owners had holdings of up to £1,000, with 7% holding more than £5,000 in value.

<sup>7</sup> The FCA research also captured data on the value of cryptoasset holdings, though the findings were reported for those that had ever held a cryptoasset, rather than just current holders as in this report. Nonetheless, the median value in the FCA research was calculated at £300. That compares with a median of £200 in this research, though the difference in analysis might account for this discrepancy.

Figure 3.4 Value of cryptoassets owned by current cryptoasset owners



Source: EXP10 What is the approximate value of the cryptocurrencies you currently hold?  
Base: All current cryptoassets owners (n=573)

Higher value holdings, of at least £5,000, tended to be more prevalent among:

- frequent traders: had made 10 or more acquisitions in the last two years (27%) or 10 or more disposals in the last year (30%);
- those who had other investments (10%); and
- those very likely to acquire cryptoassets in the future (12%).

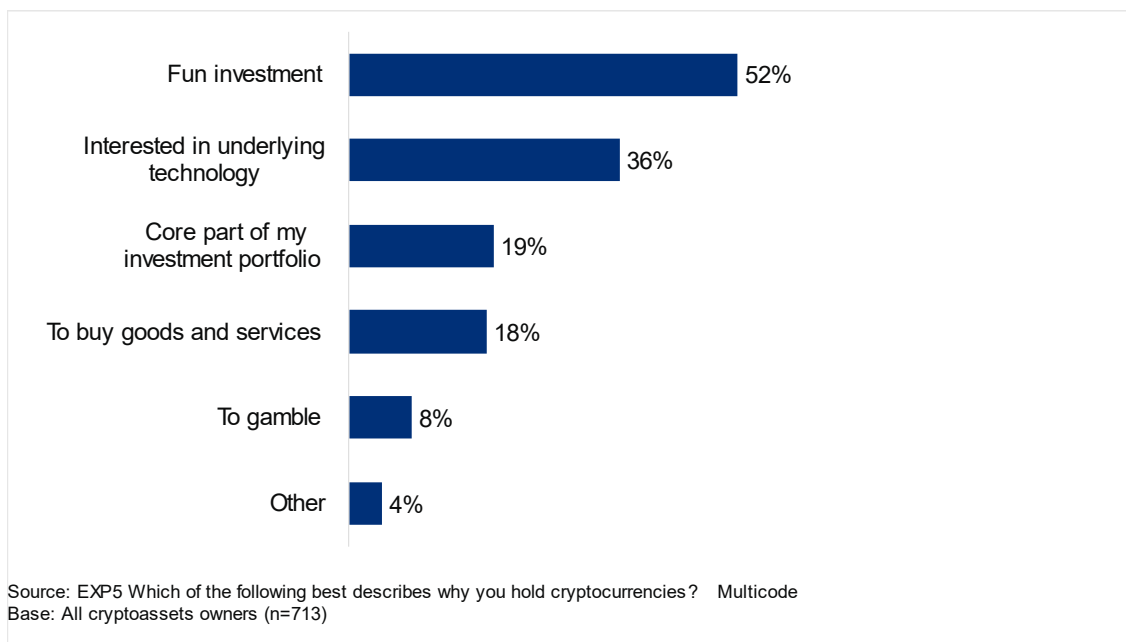
Lower value holdings tended to be higher among those:

- that had made one acquisition in the last two years (64% had between £0 and £1,000 worth); and
- ‘not very likely’ to acquire in the future (43% had between £0 and £100 worth).

30% of current owners could not or chose not to specify the exact value of their holdings. This group was asked which band the value of their cryptoassets fell into. Of those that preferred not to say, 42% said they held less than £5,000 worth and 32% did not know the value of their cryptoasset holdings. The FCA research, similarly, reported a high proportion of owners that did not specify the value of their holdings (42%).

Cryptoasset owners were asked why they held them, as shown in Figure 3.5. The most commonly mentioned reason was that they are a ‘fun investment’ (52%). 36% said they were ‘interested in the underlying technology’, while 19% said cryptoassets were a ‘core part of my investment portfolio’.

Figure 3.5 Reasons for holding cryptoassets by current and former cryptoasset owners



Mentions of 'fun investment' tended to be higher among those:

- that had made only one acquisition in the last two years (66%);
- 'very likely' to acquire in the future (59%); and
- with medium value cryptoasset holdings (£101-£1,000: 63%, £1,001-£5,000: 65%)

Mentions of 'core part of my investment portfolio' tended to be higher among those:

- with other types of investments (22%);
- with a financial advisor (28%);
- frequent traders: had made 10 or more acquisitions in the last two years (39%) or 10 or more disposals in the last year (47%); and
- with higher value cryptoasset holdings (£1,001-£5,000: 31%, £5,000+: 45%).

Among those that said they had cryptoassets because they were a 'fun investment', 12% also said they were a 'core part of my investment portfolio', meaning that these two reasons were largely mentioned by different groups of owners.

A higher proportion of those that said cryptoassets were a 'core part of my investment portfolio' were aged under 44 (84% compared with 75% of those that said cryptoassets were a 'fun investment'). Those that said cryptoassets were a 'core part of my investment portfolio' were more likely to be in a Black ethnic group (6% compared with 2% of those that said cryptoassets were a 'fun investment') and less likely to identify as White (75% compared with 85% of those that said cryptoassets were a 'fun investment').

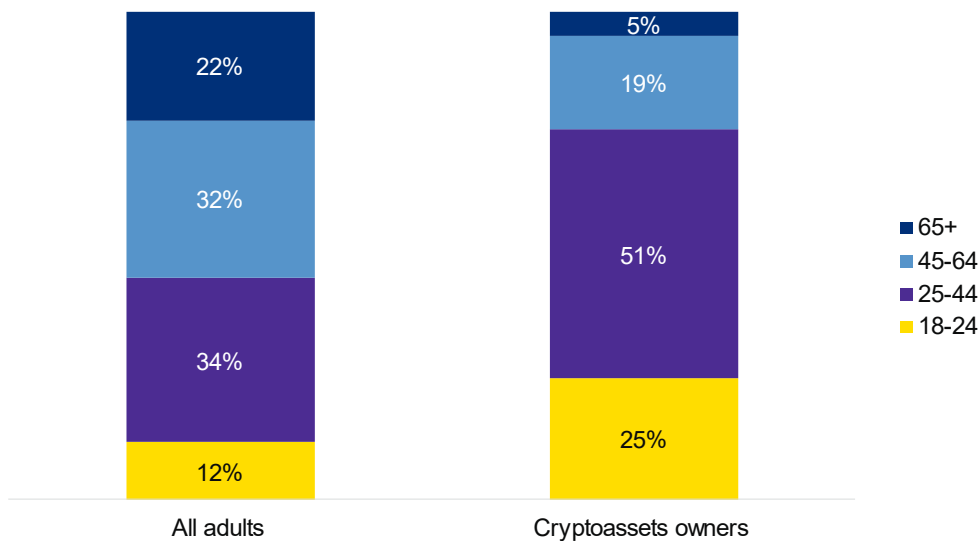
There was no difference in the gender profile of these two groups.

### 3.2 Profile of cryptoasset owners

This research found that one of the defining characteristics of cryptoasset owners was age. Figure 3.6 shows the age profile of all adults and current and former cryptoasset owners. Cryptoasset owners

tended to be younger than the general population: 76% were under 45 compared with 45% of the general population<sup>8</sup>. A full breakdown of findings is shown in Table 3.2.

Figure 3.6 Age profile of all adults and current and former cryptoasset owners



Source: Age (panel data)  
 Base (Public Voice): All adults (n=5889); All cryptoassets owners (n=549) Note: missing data removed from base

Table 3.2 Age profile of all adults and current and former cryptoasset owners

	All adults	Cryptoasset owners
<b>65+</b>	22%	5%
<b>45-64</b>	32%	19%
<b>25-44</b>	34%	51%
<b>18-24</b>	12%	25%
<b>Base</b>	5889	549

White and Asian owners tended to be older than the average owner (57% of White owners and 34% of Asian owners were 45 or older, compared with 24% of owners overall). Owners with lower value cryptoasset holdings tended to be younger (among those with up to £100 37% were 18-24 compared with 25% of owners overall).

Figure 3.7 shows a comparison of the gender profile of cryptoasset owners and all adults. It shows that most owners were male (69%, compared with 49% in the general population)<sup>9</sup>.

<sup>8</sup> The skew of cryptoasset owners towards younger age groups was at odds with the FCA research, which found that 70% of owners were over 35 (compared with 41% in this research).

<sup>9</sup> The FCA research also found that cryptoasset owners were largely male, albeit with a greater skew (78%).



Figure 3.7 Gender profile of all adults and current and former cryptoasset owners

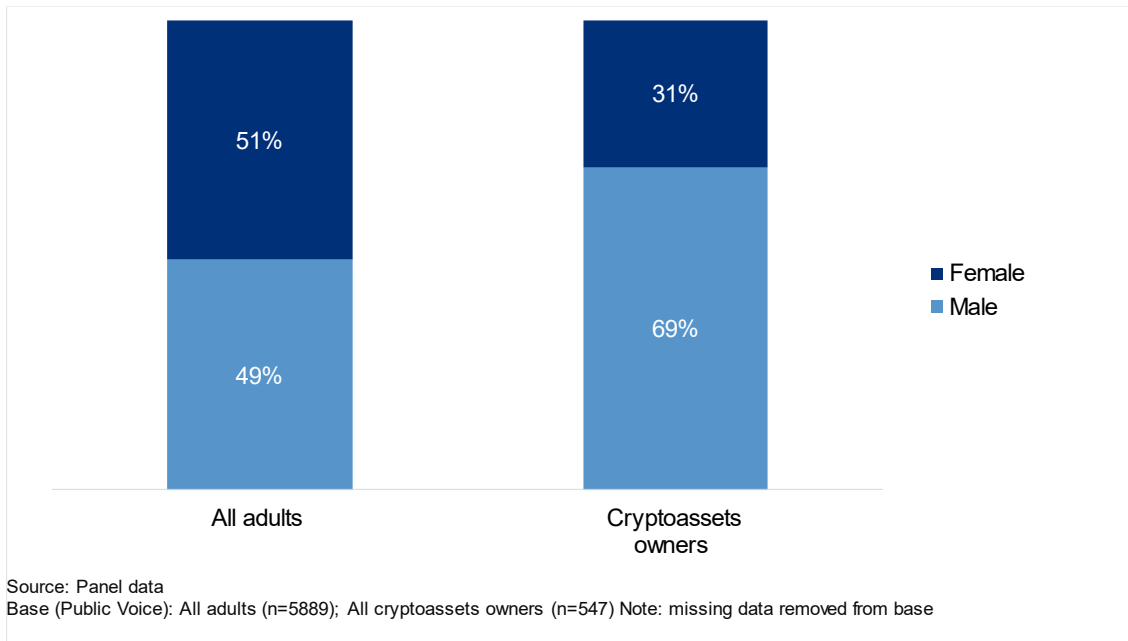


Figure 3.8 illustrates that the majority of owners identified their ethnicity as White (82%), but Asian (11%) and other ethnicities (8% compared with 4% in the general population) were overrepresented compared with the general population (4%).

Figure 3.8 Ethnicity profile of all adults and current and former cryptoasset owners

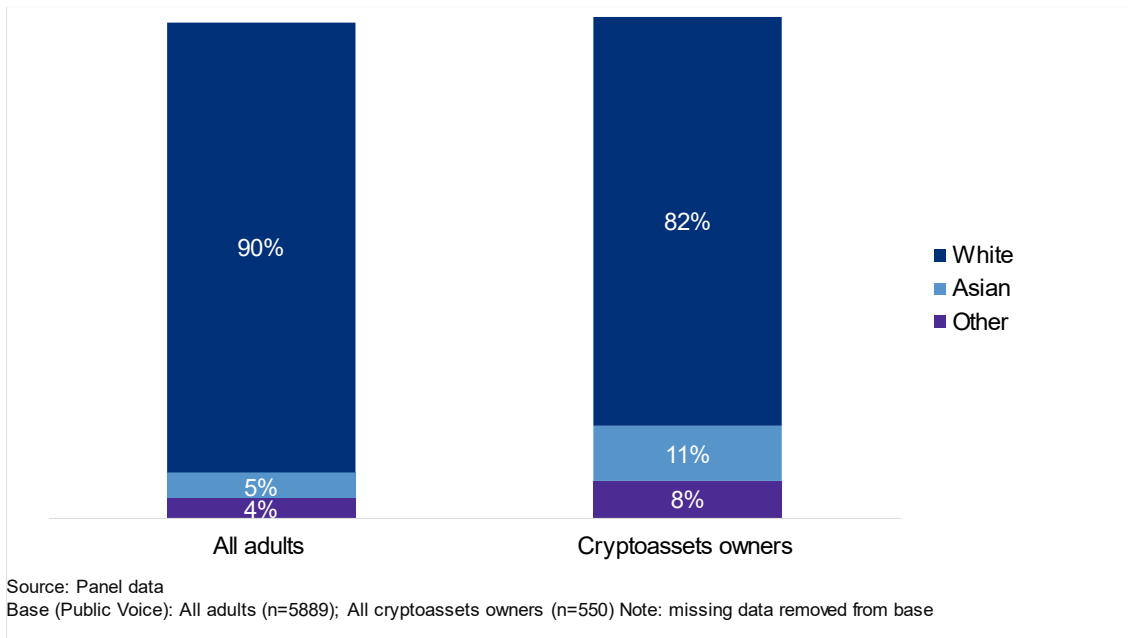
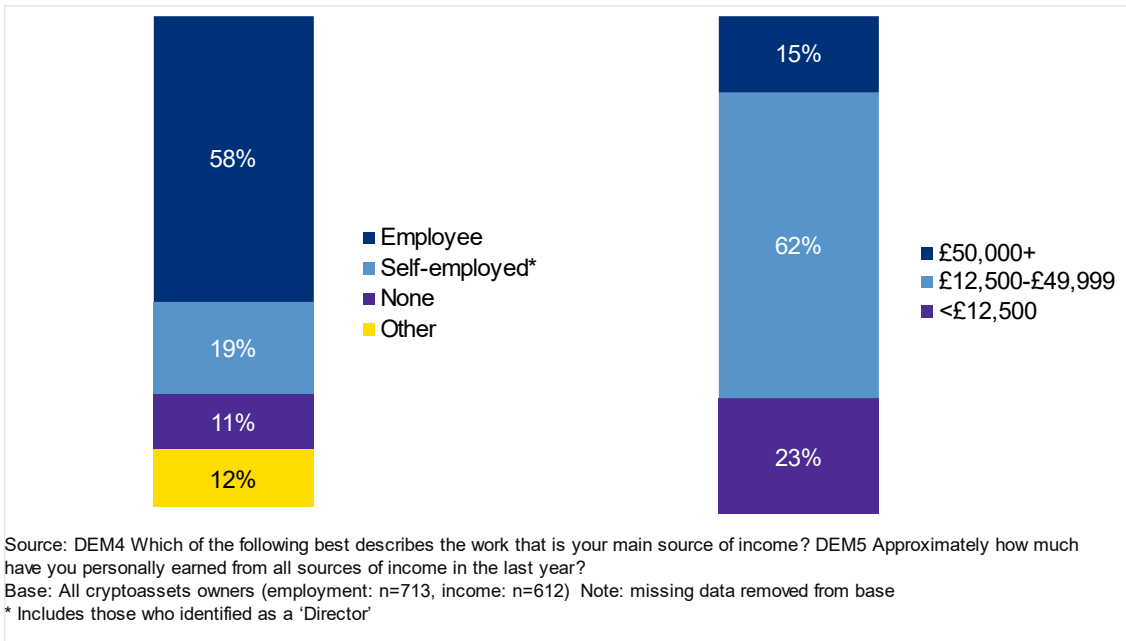


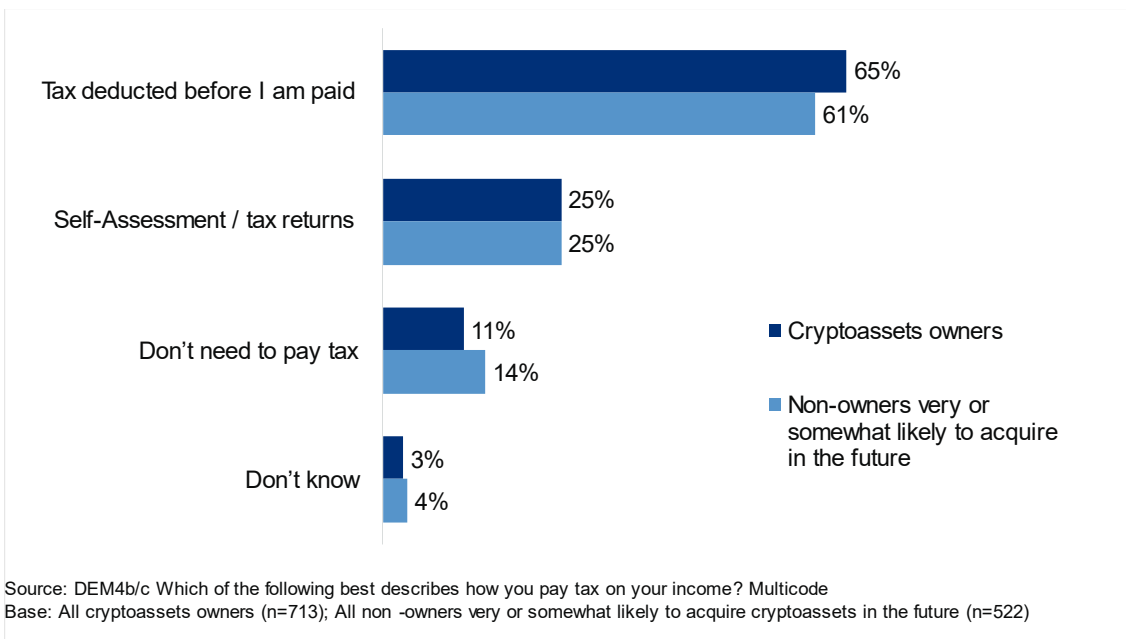
Figure 3.9 shows the employment and income profile of cryptoasset owners. 58% were employees, and the majority had annual income of between £12,500 and £49,999.

Figure 3.9 Employment and income profile of current and former cryptoasset owners



Both cryptoasset owners and cryptoasset non-owners who said they were 'very likely' or 'somewhat likely' to acquire cryptoassets in the future were asked how they paid tax on their income. Findings are shown in Figure 3.10. The profiles of both groups were similar. The majority said tax was deducted at source before they were paid, also known as PAYE (65% of cryptoasset owners), while 25% of cryptoasset owners paid tax through self-assessment.

Figure 3.10 Type of taxpayer: current and former cryptoasset owners and non-owners likely to acquire



Payment of tax through PAYE tended to be higher among those with cryptoasset holdings of a value up to £100 (78%) or on an income higher than the personal allowance (£12,500-£49,999: 76%, £50,000+: 75%).

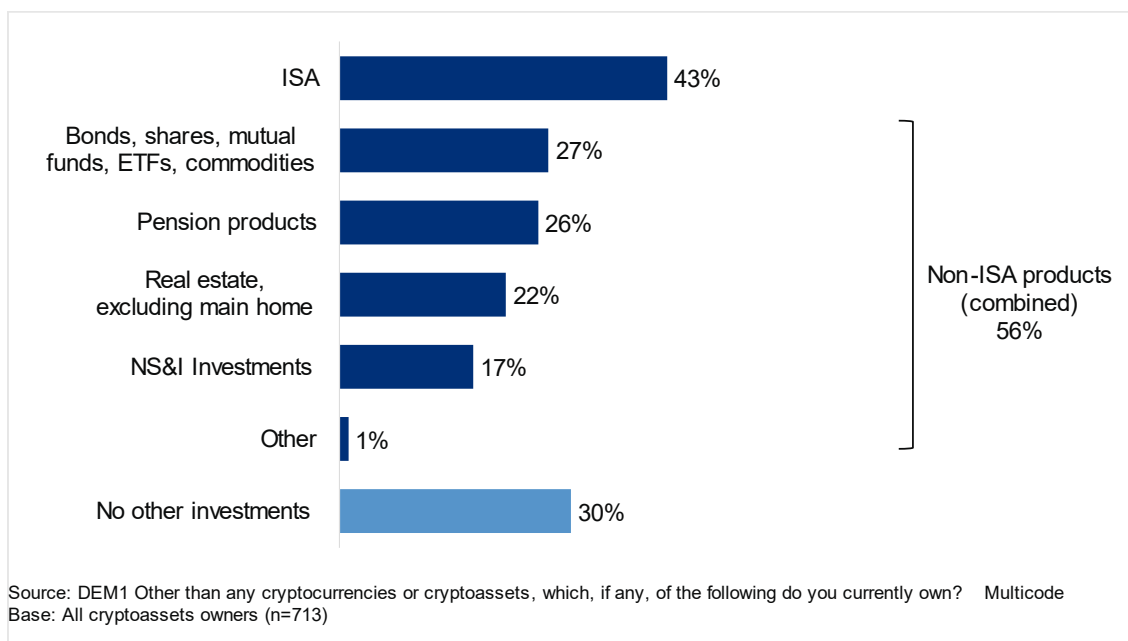
Self-assessment tended to be higher among those:

- with medium value cryptoasset holdings (£1,001-£5,000: 37%);
- on an income of £50,000+ (38%); and
- had a financial advisor (40%).

Cryptoasset owners that did not pay tax tended to be more prevalent among young people (18-24: 27%) and those not in employment (55%).

Figure 3.11 illustrates other types of investments held by owners. Overall, 70% of owners had some other investment. An ISA was the most commonly mentioned individual type of investment (43%), but 56% said they held at least one investment type that was not an ISA. 30% of owners said they held no other investments other than cryptoassets.

*Figure 3.11 Other types of investments held by current and former cryptoasset owners*



Having any other type of investment tended to be higher among those:

- on incomes of at least £50,000 (83%);
- that had a financial advisor (90%);
- had a good understanding of Capital Gains Tax (87%); and
- had high value (£5,000+) cryptoasset holdings (92%).

Not holding other investments tended to be higher among those on an income less than the personal allowance (<£12,500+: 52%), who did not pay tax (51%) or were not in any employment (45%).

Finally in this chapter, Figure 3.12 shows the proportion of owners that said they had a professional financial advisor (19%)<sup>10</sup>.

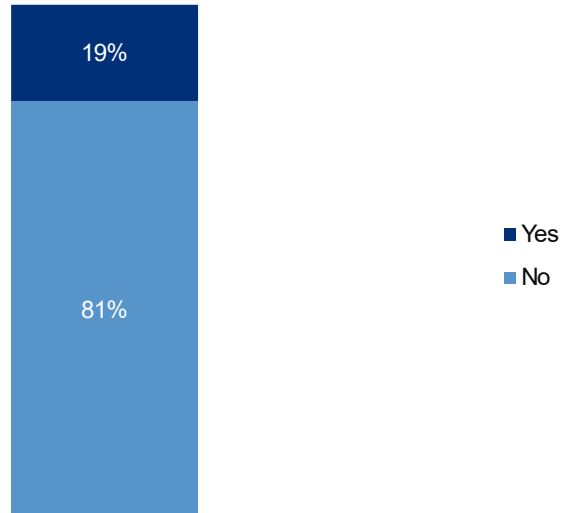
Use of a financial advisor was higher among those:

- who paid tax by self-assessment (30%);
- on incomes of at least £50,000 (29%);

<sup>10</sup> In HMRC's Individuals, Small Business and Agents Customer Survey 2019, 11% of all individuals said they paid a professional adviser, such as an accountant, to help them with their dealings with HMRC.

- who had other types of investments (25%);
- who had seen HMRC tax guidance (34%); and
- who had a good understanding of Capital Gains Tax (27%).

Figure 3.12 Use of professional financial advisor by current and former cryptoasset owners



Source: DEM3 Do you have a professional financial advisor?  
Base: All cryptoasset owners (n=713)

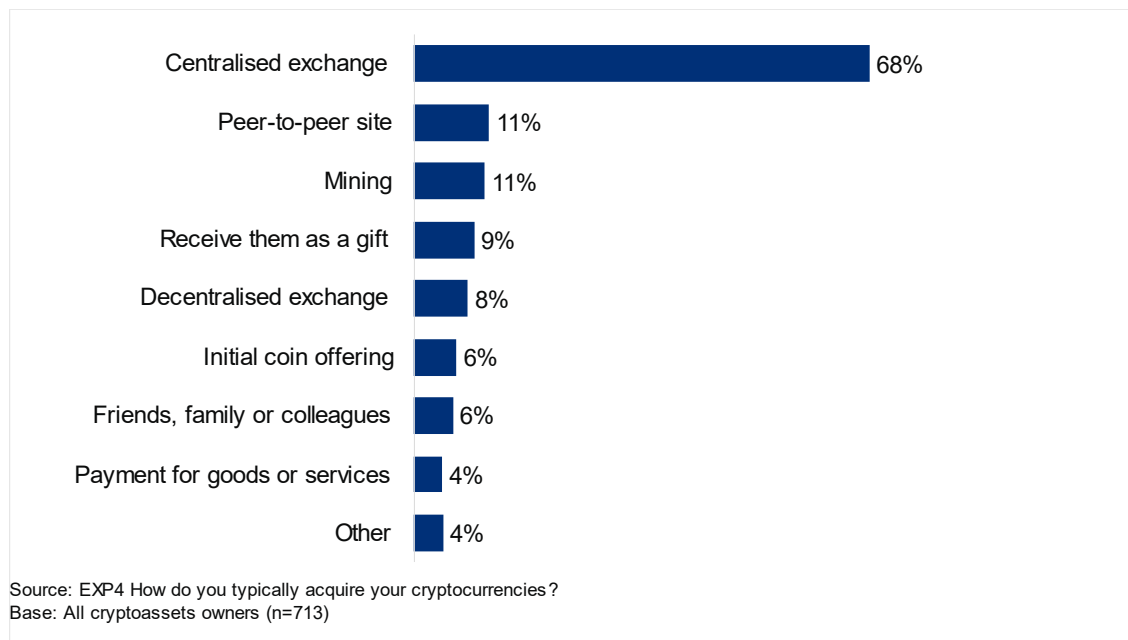
## 4. Patterns of cryptoasset acquisition and disposal

### 4.1 Cryptoasset acquisition

Cryptoassets can be acquired in a number of ways. As shown in Figure 4.1, the most frequently mentioned method of acquisition was through a 'centralised exchange', by 68% of owners.

Other acquisition methods, such as through a 'peer-to-peer' site or 'mining' were mentioned much less frequently and tended to be higher among those who had a financial advisor, frequent traders and those who had seen HMRC tax guidance.

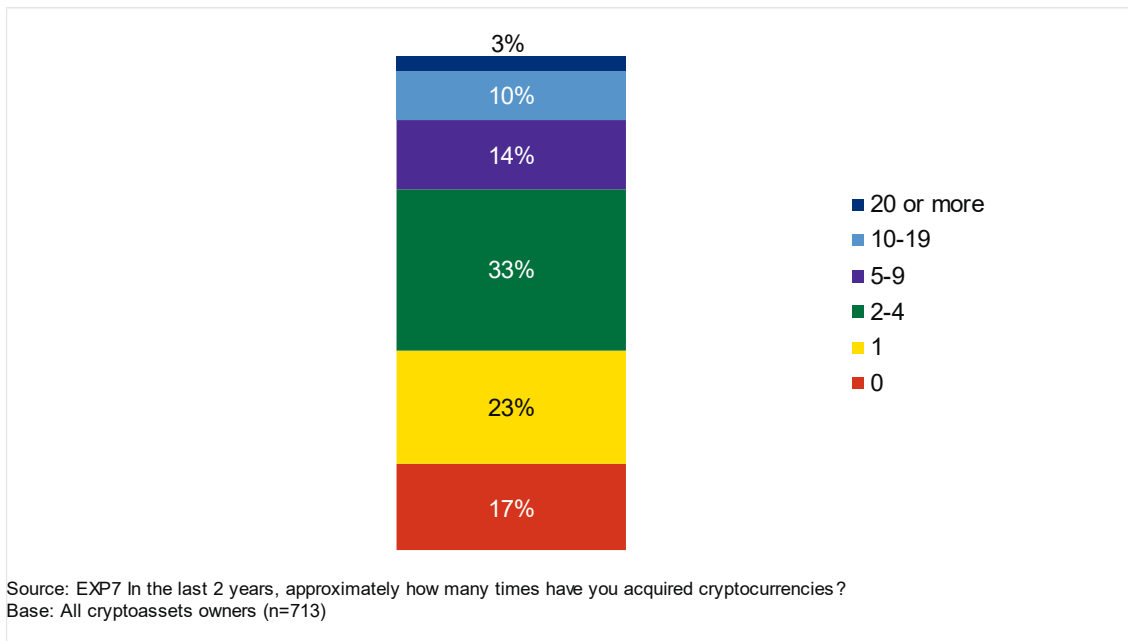
Figure 4.1 Method of cryptocurrency acquisition by current and former cryptoasset owners



Older people were more likely to have acquired their cryptoassets through an initial coin offering (65+: 27%). 11% of *current* cryptoasset owners received them as a gift. Those with high value holdings (£5,000+) acquired more often through a peer-to-peer site (25%) or an initial coin offering (18%).

Figure 4.2 shows the overall frequency with which cryptoasset owners made an acquisition in the last two years. Among the ownership population, 13% were frequent traders who acquired cryptoassets at least ten times. Further, 47% made between two and nine acquisitions.

Figure 4.2 Frequency of acquisition in last two years by current and former cryptoasset owners



Higher acquisition frequency, that is, at least ten times in the last two years, tended to be more common among those:

- with higher awareness of cryptoasset tax treatment: had seen HMRC tax guidance (19%) or had a good understanding of Capital Gains Tax (21%);
- ‘very likely’ to acquire cryptoassets in the future (23%); and
- with holdings of £5,000+ (49%).

Owners that had ever disposed of cryptoassets were asked how long they typically held them for, and if they had not made a disposal, they were asked how long they planned to hold their current assets for. Findings are combined in

Table 4.1.

Among owners, 25% held or planned to hold their cryptoassets for at least one year, and 35% said up to one year. 28% said it varied too much to say.

Table 4.1 Typical length holding or plan to hold cryptocurrencies by current and former cryptoasset owners

Length of time	%
1 week or less	5%
2 - 4 weeks	7%
1 - 3 months	12%
4 - 12 months	11%
1 - 2 years	10%
3 - 4 years	11%
5 years or more	4%
It varies too much to say	28%
Don't know	13%
<i>Base: All cryptoasset owners</i>	<i>713</i>

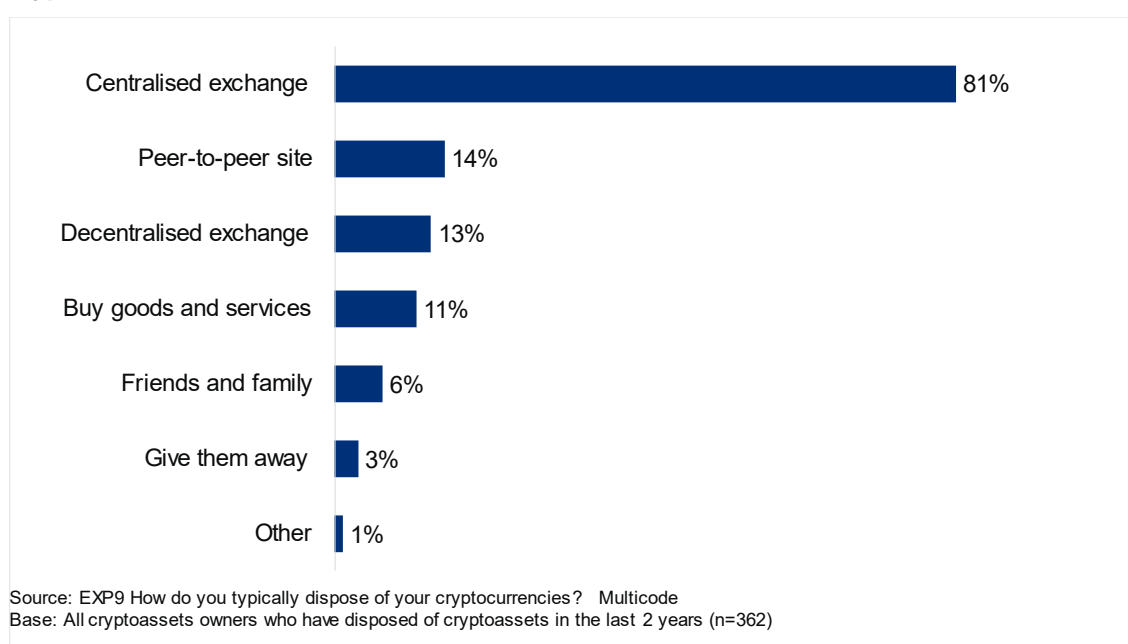
Source: EXP6 How long do you typically hold your cryptocurrencies for? EXP6a How long do you plan to hold the cryptoassets you currently own before disposing of them?

A higher proportion of owners with medium-high value holdings (£1,001-£5,000: 37%, £5,000+: 41%) said they held their assets for at least one year, while a shorter time frame of less than a year was more common among those with a financial advisor (52%).

## 4.2 Cryptoasset disposal

As with methods of acquisition, the survey explored the use of various methods of disposal. Findings are presented in Figure 4.3. Similar to acquisition, the most frequently mentioned method was through a 'centralised exchange', in this case by 81% of owners. Again, other methods were mentioned much less frequently.

Figure 4.3 Method of cryptocurrency disposal by owners who had disposed of some or all of their cryptoassets

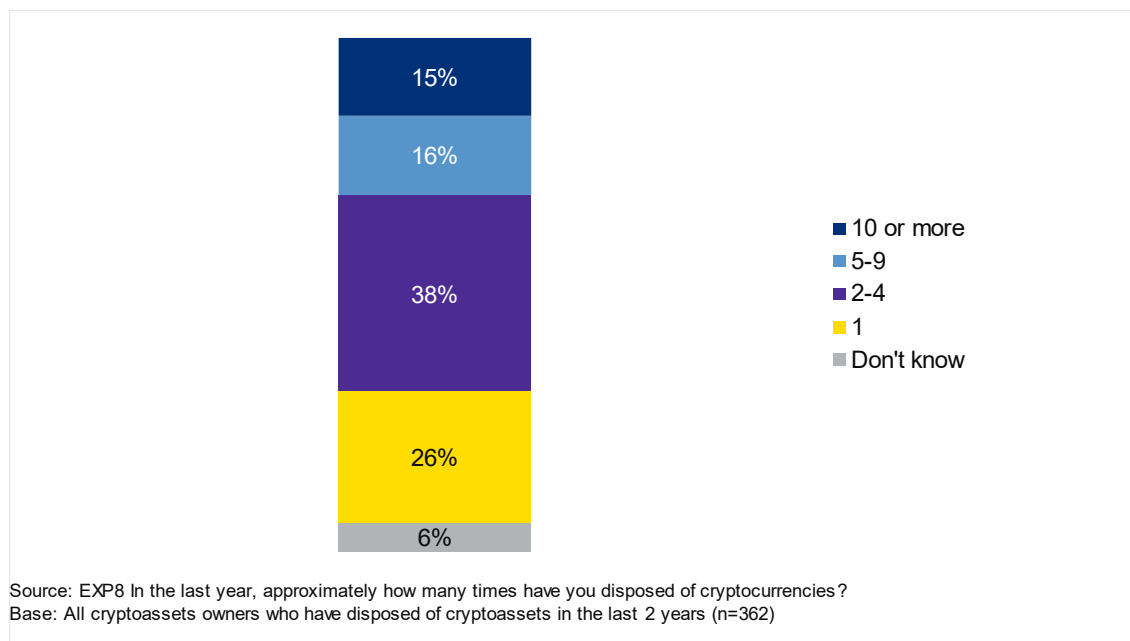


Use of a 'centralised exchange' for disposal was common across different subgroups of owners. However, methods other than a centralised exchange tended to be higher among those:

- on income of at least £50,000;
- who had other types of investments;
- who had a financial advisor;
- frequent traders; and
- who had seen HMRC tax guidance.

Disposal of a cryptoasset includes selling it for money, exchanging it for a different type of cryptoasset, using it to pay for goods or services or giving it away to another person. Figure 4.4 shows the overall frequency with which cryptoasset owners disposed of their assets in the last year. Among owners who had disposed of any cryptoassets in the last two years, 15% were frequent traders who had made disposals at least ten times. Further, 54% disposed of assets between two and ten times in the last year.

*Figure 4.4 Frequency of disposal in last year by owners who had disposed of some or all of their cryptoassets*



Higher disposal frequency, of at least 10 times in the last year, tended to be more common among those:

- who had other investments (18%);
- who had a financial advisor (40%);
- with higher awareness of cryptoasset tax treatment: had seen HMRC tax guidance (29%) or had a good understanding of Capital Gains Tax (22%); and
- with high value (£5,000+) holdings (36%).

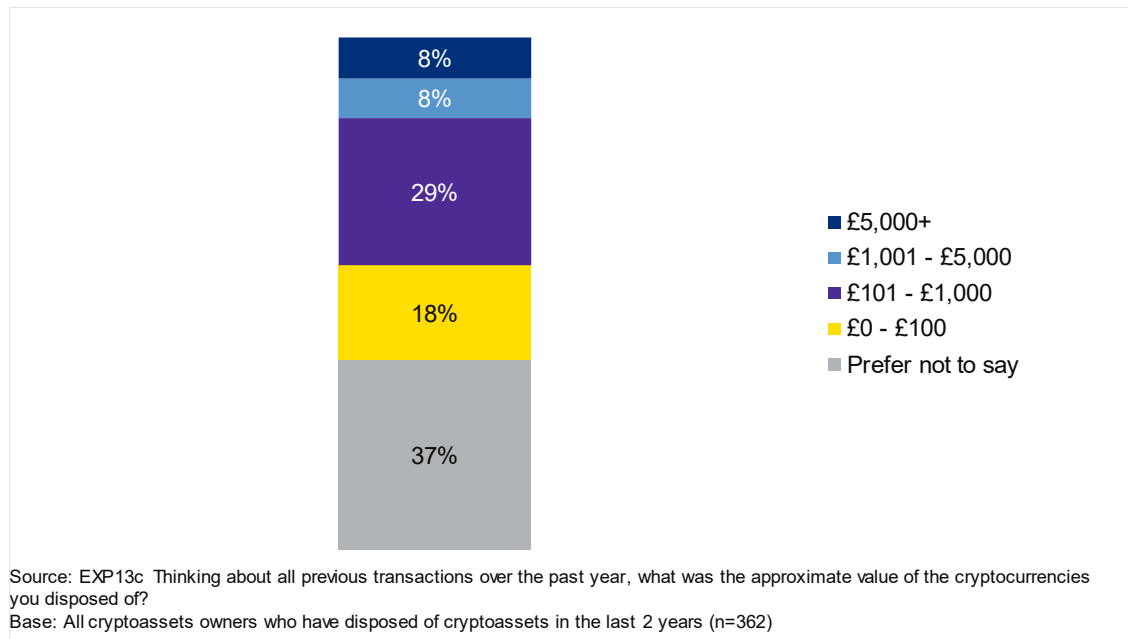
Owners were asked for the *approximate* value of the cryptocurrencies they had disposed of in transactions over the last year. Numeric data was collected in GBP and have been banded for reporting



in Figure 4.5. Across owners that had disposed of at least some cryptoassets, there was a wide range of reported values. 8% said they disposed of at least £5,000 worth of cryptoassets, and 8% said they disposed of more than £1,000 but less than £5,000 in the last year.

44% had disposed of cryptoassets to a value equivalent to up to 50% of their current holdings, and a further 27% had disposed the equivalent of between 50% and 100% of their current holdings.

Figure 4.5 Value of disposals in last year by owners who had disposed of some or all of their cryptoassets



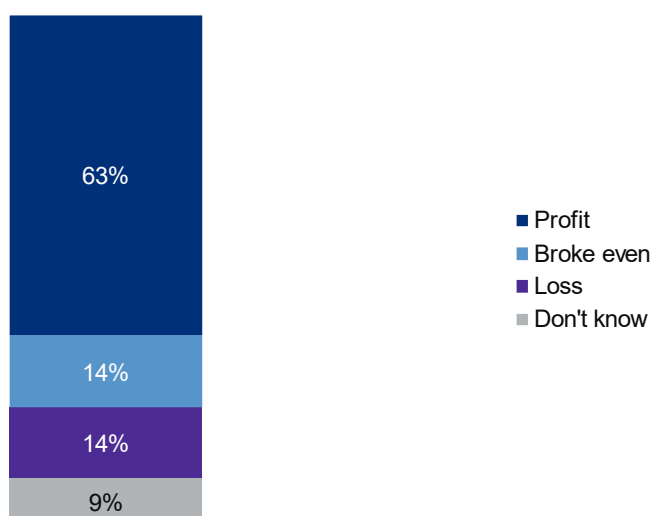
A higher value of disposals (£5,000+) tended to be more common among those with a financial advisor (30%) and those with higher awareness of cryptoasset tax treatment: seen HMRC guidance (16%) or had a good understanding of Capital Gains Tax (14%).

Similar to the question that asked owners for the value of their current holdings (see Figure 3.4), a relatively high proportion could not or chose not to report the value of their disposals (37%). There was a high degree of overlap between the two groups. 95% of those that did not give a value for current holdings also did not give a value for disposals.

### 4.3 Profits and losses

Figure 4.6 shows, over the past year, that the majority of owners reported making a profit (63%) when disposing of cryptoassets. 14% said they made a loss and, similarly, 14% said they broke even.

Figure 4.6 Disposal profit or loss by owners who had disposed of some or all of their cryptoassets



Source: EXP11 Over the past year, when disposing of cryptocurrencies, did you make a profit or loss overall?  
 Base: All cryptoassets owners who have disposed of cryptoassets (n=426)

Being in profit from disposals in the last year was more often reported among:

- current owners (77%);
- frequent traders: had made 10 or more acquisitions in the last two years (76%) or 10 or more disposals in the last year (77%);
- those that had a good understanding of Capital Gains Tax (71%); and
- those with high value (£5,000+) cryptoasset holdings (94%).

Owners that said they were ‘not very likely’ or ‘not at all likely’ to acquire cryptoassets in the future were more likely to say they had broken even (27%).

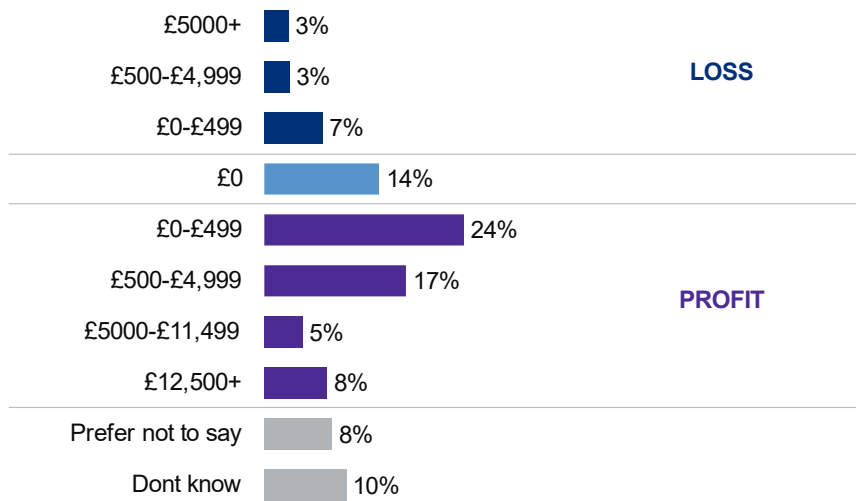
Owners were also asked how much they were in profit or loss from the last year. Profit and loss values were collected in the survey in bands, rather than numeric values. Findings are summarised in Figure 4.7.

Profits and losses tended to most often be less than £500. 24% of owners that had disposed of cryptoassets made a profit of less than £500, while 7% made a loss of less than £500. 13% reported a profit of at least £5,000, including 8% who said they made a profit of at least £12,500, which is above the tax-free allowance (called the Annual Exempt Amount) for Capital Gains Tax. Three percent said they made a loss in excess of £5,000.

Among those who had made a profit, 34% had profited to a value equivalent to up to 100% of their disposed holdings<sup>11</sup>, and a further 20% had profited to the equivalent of between 101% and 200% of their disposed holdings. 47% reported a profit of more than 200%.

<sup>11</sup> This analysis has used the midpoint of the banded profit values.

Figure 4.7 Value of overall profit / loss by owners who had disposed of some or all of their cryptoassets



Source: EXP13 / EXP13b Thinking about all previous transactions over the past year, how much would you say you were in profit / loss overall?

Base: All cryptoassets owners who have disposed of cryptoassets (n=426)

Higher profits, of at least £500, were reported more often by those who:

- had other types of investments (33%);
- had a financial advisor (46%);
- current owners (38%);
- frequent traders: had made 10 or more acquisitions in the last two years (50%) or 10 or more disposals in the last year (65%);
- had a good understanding of Capital Gains Tax (42%); and
- had high value cryptoasset holdings (£1001-£5000: 67%, £5,000+: 76%).

## 5. Understanding tax treatment

### 5.1 Awareness of the tax liability

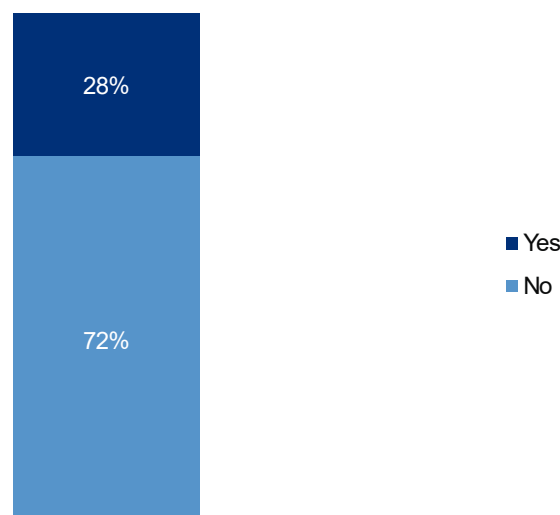
Where individuals own cryptoassets as a personal investment they are liable to pay Capital Gains Tax when they dispose of their cryptoassets. Individuals are potentially liable to pay Income Tax and National Insurance contributions on cryptoassets which they receive from:

- their employer as a form of remuneration; or
- mining, transaction confirmation; or
- staking.

VAT is due on most goods or services regardless of how they are paid for. As such, the VAT liability applies to goods and services exchanged for cryptoasset exchange tokens.

HMRC has produced detailed guidance for individuals and agents to understand their tax liability setting out HMRC's view on how cryptoassets are taxed<sup>12</sup>. The manual has been seen by 28% of current and former cryptoasset owners (Figure 5.1).

*Figure 5.1 Seen HMRC's cryptoassets guidance by current and former cryptoasset owners*



Source: EXP15 HMRC have produced guidance in (2018 and 2019) on how individuals who own cryptocurrencies are taxed. Have you seen this guidance?

Base: All cryptoasset owners (n=713)

Subgroups of cryptoasset owners that were more likely to have seen HMRC's guidance were those:

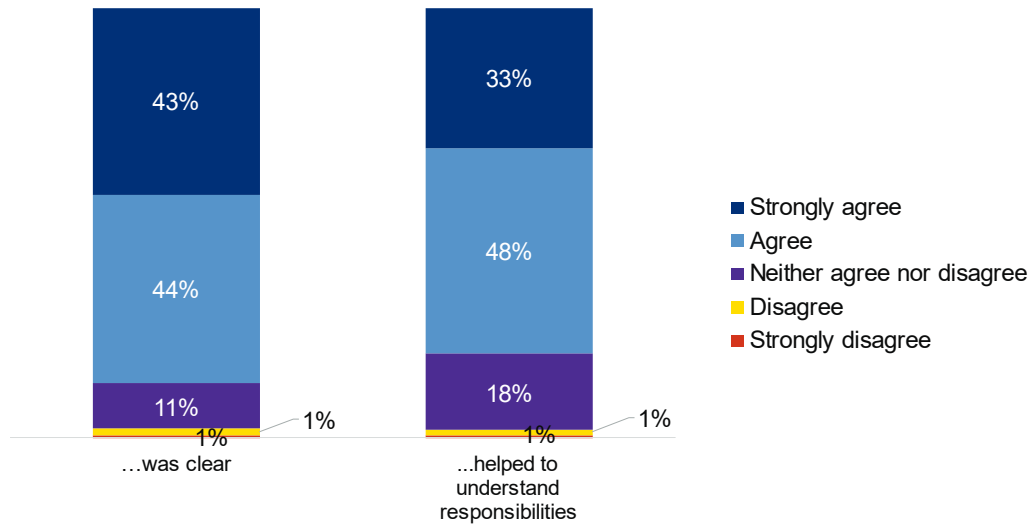
- with higher value (£5,000+) cryptoasset holdings (43%);
- 'very likely' to acquire cryptoassets in the future (36%);
- frequent traders: had made 10 or more acquisitions in the last two years (41%) or 10 or more disposals in the last year (77%);
- with other types of investments (31%);
- with a financial advisor (50%); and

<sup>12</sup>[Tax on cryptoassets - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/tax-on-cryptoassets)

- those aged 18-24 (36%) and 25-44 (29%, compared with owners aged 45-64 16%).

Of current and former owners who had seen the guidance, 87% agreed it was clear and 81% agreed that it helped them to understand their responsibilities (see Figure 5.2). A full breakdown of findings is shown in Table 5.1. 65% of those who had seen it, had reviewed it more than once in the last year.

Figure 5.2 Agree that guidance... by current and former cryptoasset owners who had seen guidance



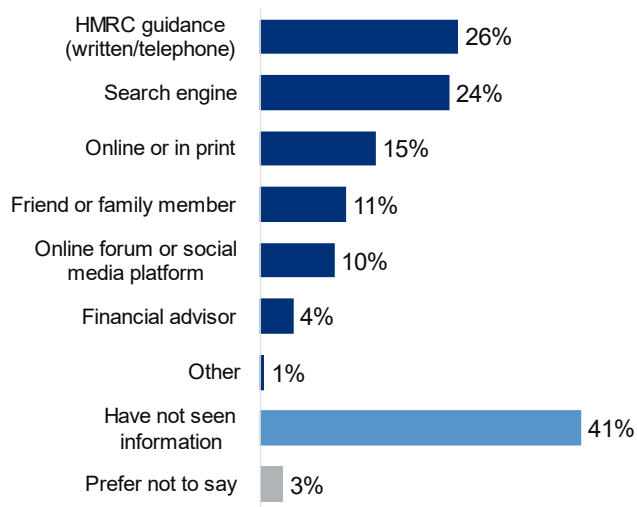
Source: EXP15d / 15e On a scale from strongly agree to strongly disagree, to what extent do you agree with the following statement? "HMRC's cryptocurrency guidance was clear" & "HMRC's cryptocurrency guidance helped me to understand my responsibilities"  
 Base: All cryptoassets owners who had seen HMRC guidance (n=100, Profiles)

Table 5.1 Agree that guidance...

	...was clear	...helped to understand responsibilities
<b>Strongly agree</b>	43%	33%
<b>Agree</b>	44%	48%
<b>Neither agree nor disagree</b>	11%	18%
<b>Disagree</b>	1%	1%
<b>Strongly disagree</b>	1%	1%
<b>Base: Current and former cryptoasset owners who had seen guidance</b>	100	100

The most commonly mentioned source for owners and former owners to have received information regarding tax on cryptoassets was HMRC (26%), followed by a search engine (24%) (Figure 5.3). The majority of owners and former owners had received some form of information (56%), whilst 41% had not received any information on the taxation of cryptoassets.

Figure 5.3 Source of tax information by current and former cryptoasset owners



Source: EXP15b Where do you receive information regarding tax on cryptoassets? Multicode  
Base: All cryptoassets owners (n=713)

Those that accessed information from HMRC tended to be those:

- with high value (£5,000+) cryptoasset holdings (50%);
- frequent traders: had made 10 or more acquisitions in the last two years (48%) or 10 or more disposals in the last year (68%); and
- had other types of investments (30%).

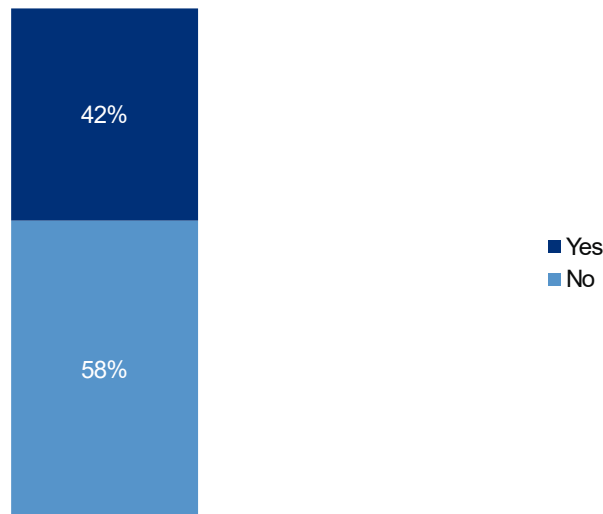
Owners that had not seen any information tended to be higher among groups where:

- cryptoasset holdings were valued at £1,000 or less (£0-£100: 57%; £101-£1,000; 51%);
- had only acquired cryptoassets once in the last year (57%); and
- were on an income less than the personal allowance (<£12,500: 52%) or unemployed (56%).

There were varying levels of understanding of the various circumstances where tax may be liable.

Around two-fifths (42%) of owners were aware that when they bought goods and services using cryptocurrency that they might be liable to pay tax, as seen in Figure 5.4.

Figure 5.4 Individuals aware they may be liable to pay tax by current and former cryptoasset owners



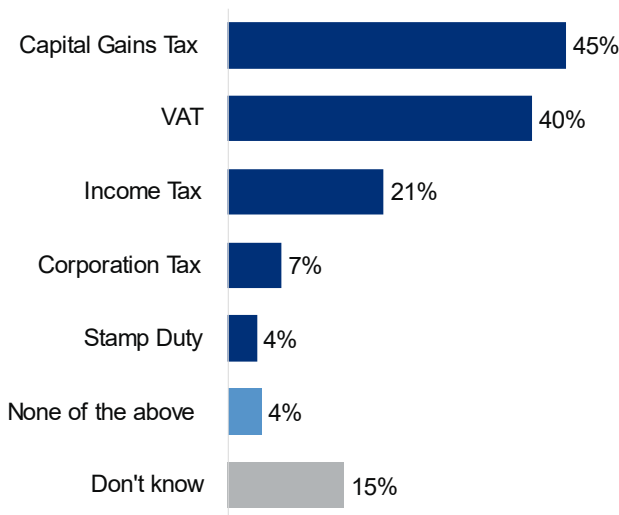
Source: EXP19 Are you aware that when you buy goods and services using cryptocurrency you may be liable to pay tax?  
 Base: All cryptoassets owners (n=459, Public Voice)

Awareness of the potential tax liability was higher among those:

- who had seen HMRC’s cryptoasset tax guidance (82%); and
- had a good understanding of Capital Gains Tax (51%).

Among those who recognised there might be a tax liability on cryptoasset transactions, 45% correctly identified that there may be a Capital Gains Tax implication (see Figure 5.5).

Figure 5.5 Taxes that might be liable by current and former cryptoasset owners who thought tax might be liable



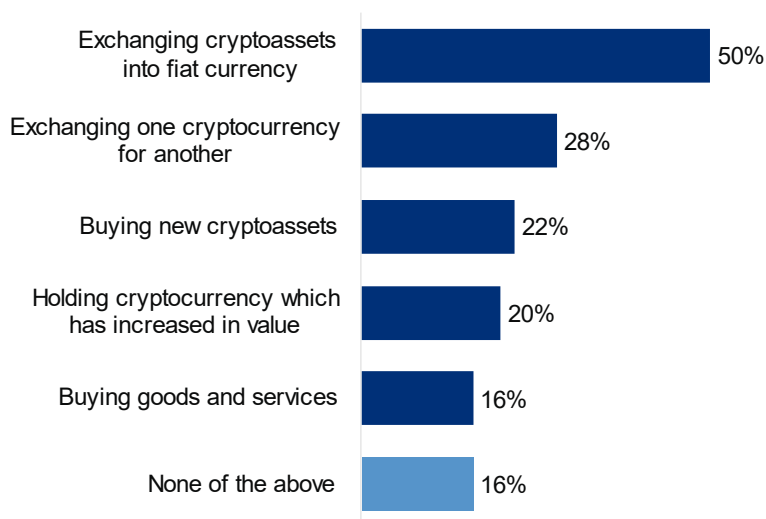
Source: Q034 Which of the following taxes do you think you are liable to pay when you buy goods and services using cryptocurrencies? Multicode  
 Base: All cryptoassets owners who were aware they might be liable to pay tax (n=194, Public Voice)

Half (50%) of all cryptoasset owners correctly understood that tax was liable when ‘exchanging cryptoassets into fiat currency’. Two other scenarios were also correctly associated with a tax liability, but by fewer than half of owners (see Figure 5.6):

- Exchanging one cryptocurrency for another (e.g. directly exchanging Bitcoin for Litecoin) (28%); and
- Buying goods and services using cryptocurrency (16%).

The individual is not liable to pay VAT as this is applied on goods and service regardless of how it is paid for. There was some misconception, as 22% of owners thought tax might be liable when ‘buying new cryptoassets’ and 20% thought tax might be liable when ‘holding cryptocurrency which has increased in value’. 16% thought no tax was liable in every scenario measured.

Figure 5.6 Occasions when tax may be liable by current and former cryptoasset owners



Source: EXP19a On which, if any, of the following occasions do you think a cryptoassets owner may be liable to pay tax?  
 Base: All cryptoassets owners (n=254, Profiles)

Owners that knew they might be liable to pay tax when ‘exchanging one cryptocurrency for fiat currency’ tended to be higher among those with a good understanding of Capital Gains Tax (61%).

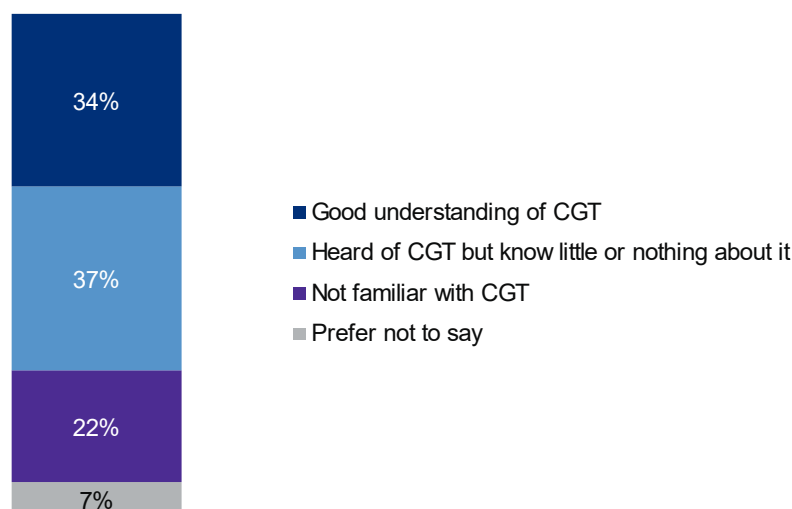
Owners that knew they might be liable to pay tax when ‘exchanging one cryptocurrency for another’ tended to be higher among those who:

- had seen HMRC’s guidance (51%);
- had disposed of cryptoassets more than once in the past year (2-9: 40%; 10+: 61%);
- had a financial advisor (52%); and
- had other types of investments (36%).

Understanding of Capital Gains Tax was mixed. Figure 5.7 shows that 34% of owners said they had a good understanding, but 37% knew little or nothing and 22% were not familiar with it at all.



Figure 5.7 Understanding of Capital Gains Tax by current and former cryptoasset owners



Source: EXP16 Which of the following best describes your understanding of Capital Gains Tax (CGT)?  
Base: All cryptoassets owners (n=713)

Owners that had a good understanding of Capital Gains Tax tended to be higher among those who:

- had seen the HMRC guidance (53%);
- had a financial advisor (49%);
- frequent traders: had made 10 or more acquisitions in the last two years (56%) or 10 or more disposals in the last year (67%);
- ‘very likely’ to acquire cryptoassets in future (45%);
- had current holdings of £5,000 or more (55%);
- had other types of investments (43%); and
- on an income of £50,000 or more (60%).

Owners that were unfamiliar with Capital Gains Tax tended to be higher among those with:

- current holdings of £100 or less (35%);
- had not seen the HMRC guidance (29%);
- had no other investments (39%); and
- do not pay tax (41%).

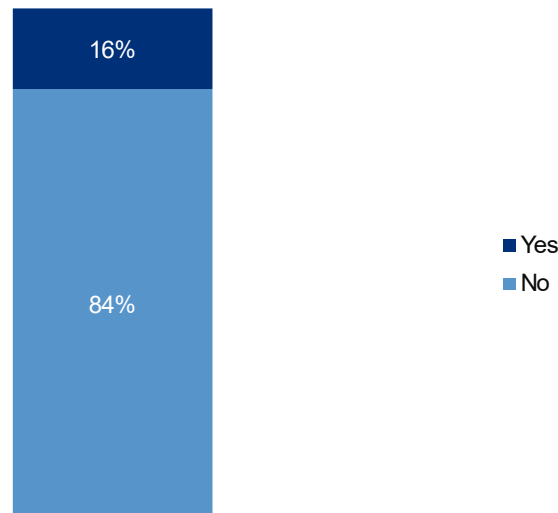
PAYE customers’ understanding of Capital Gains Tax reflected that of cryptoasset owners overall: 37% had a good understanding, 36% knew little and 21% were unfamiliar.

Chapter 3 highlighted a relatively large proportion of owners that could not or chose not to disclose the current value of their cryptoasset holdings (see Figure 3.4). Of this group, 37% said that they had seen HMRC’s guidance on how cryptoassets are taxed (compared with 28% overall) and 32% said they had a good understanding of Capital Gains Tax. Among this group, understanding of Capital Gains Tax mirrored that for cryptoasset owners overall.

## 5.1 Getting cryptoasset tax advice

The research also explored cryptoasset owners' behaviours relating to getting tax advice and information about cryptoassets specifically. As shown in Figure 5.8, 16% had sought tax advice about their cryptoassets.

Figure 5.8 Whether sought tax advice by current and former cryptoasset owners



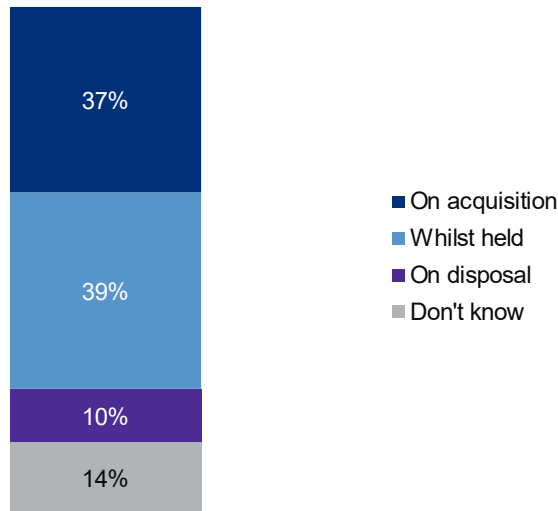
Source: EXP20 Have you sought tax advice around your cryptocurrency holdings?  
Base: All cryptoassets owners (n=713)

Having ever sought tax advice was more common among groups that were:

- frequent traders: had made 10 or more acquisitions in the last two years (27%) or 10 or more disposals in the last year (53%);
- had other types of investments (19%) or a financial advisor (44%);
- 'very likely' to acquire cryptoassets in future (22%);
- had a good understanding of Capital Gains Tax (26%); and
- had seen HMRC's cryptoasset tax guidance (46%).

Figure 5.9 shows when tax advice was sought, among those that had sought advice. The most commonly mentioned times were whilst held (39%), and on acquisition (37%).

Figure 5.9 When tax advice is sought by current and former cryptoasset owners who had sought tax advice



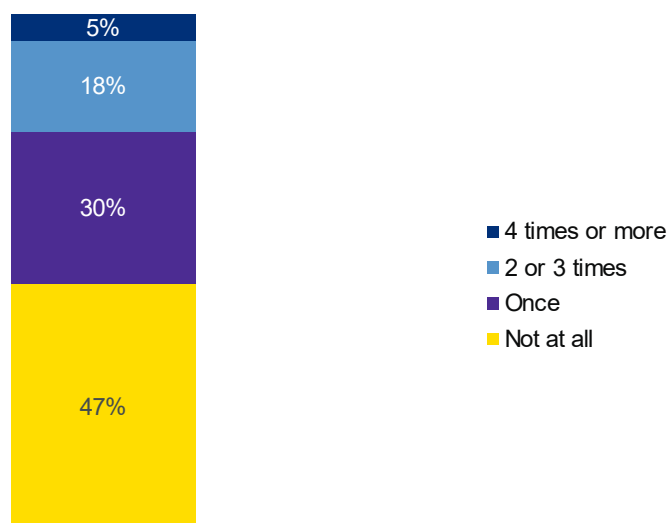
Source: EXP21 When did you seek this tax advice about your cryptocurrency holdings?  
 Base: All cryptoassets owners who have sought tax advice (n=120)

### 5.1 HMRC contact and guidance

A core aim of this research was to explore behaviours of cryptoasset owners that could help to inform the development of tax policy. Part of this is understanding the extent to which they engaged with HMRC and cryptoasset related taxes.

As shown in **Error! Reference source not found.**, 53% of owners had contacted HMRC at least once in the last year, though the reason for which was not necessarily about cryptoassets. Overall, 23% had contacted HMRC more than once.

Figure 5.10 Frequency of HMRC contact in last year by current and former cryptoasset owners



Source: CHA3 How often have you or anyone acting on your behalf had contact with HMRC in the last 12 months?  
 Base: All cryptoasset owners (n=713)

Cryptoasset owners who had contacted HMRC more than once in the last year tended to be higher among those:

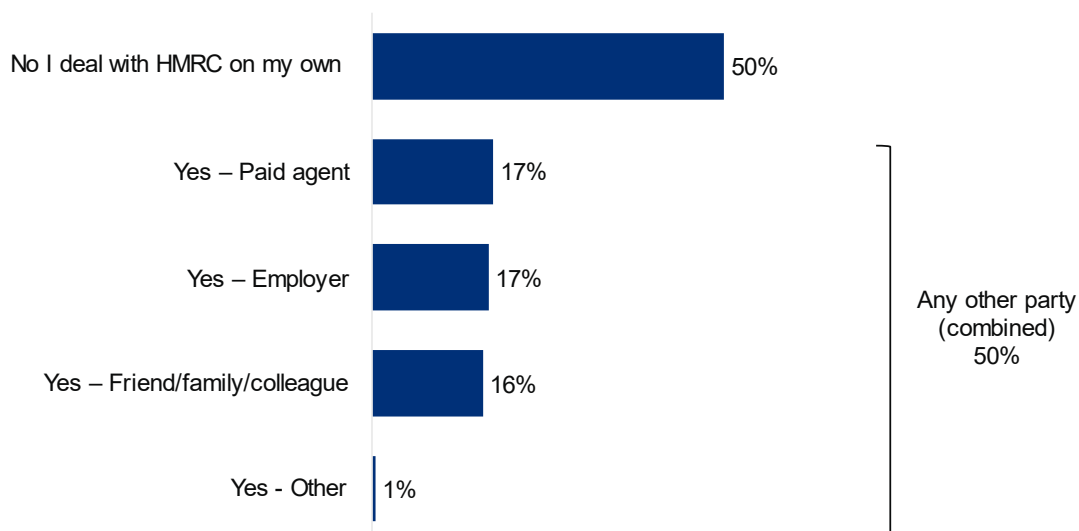
- on an income of more than £50,000 per year (38%);
- former cryptoasset owners (37%);
- frequent traders: had made 10 or more acquisitions in the last two years (34%) or 10 or more disposals in the last year (53%);
- held more than £5,000 in cryptoassets (41%); and
- had a financial advisor (32%).

Overall, 47% said they had had no contact with HMRC in the last year, which tended to be higher among those:

- who had no other investments (60%);
- did not pay tax (68%); and
- paid tax through PAYE (46%, compared to 33% of self-assessment customers).

When dealing with HMRC generally, half (50%) did so on their own behalf (50%) and half dealt with HMRC through a paid agent, their employer or a friend (50%, see Figure 5.11).

*Figure 5.11 Dealing with HMRC by current and former cryptoasset owners with contact*



Source: CHA4 When dealing with HMRC, does anyone give you advice or deal with them on your behalf? Multicode  
 Base: All cryptoasset owners with HMRC contact in the last year (n=379)

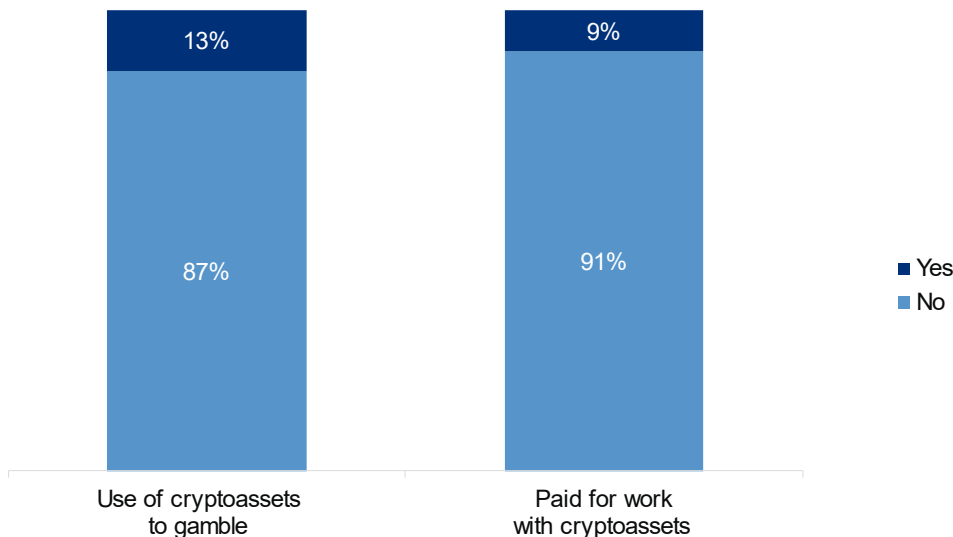
Former cryptoasset owners (63%) and employees (63%) were more likely to deal with HMRC on their own. Owners who had a financial advisor (38%) and those that currently held cryptoassets (20%) were more likely to deal with tax affairs through a paid agent.

## 6. Cryptoasset use and ownership preferences

### 6.1 Other uses for cryptoassets

All owners were asked if they had ever used cryptocurrency to place a bet on a gambling website and also whether they had ever been paid for work in cryptoassets. As shown in Figure 6.1, 13% had used their cryptoassets to gamble and 9% had been paid for work. 7% of owners said they used cryptoassets for both these activities.

Figure 6.1 Cryptocurrency uses by current and former cryptoasset owners



Source: EXP14 Have you ever used cryptocurrency to place a bet on a gambling website? EXP18 Have you ever been paid for work in cryptoassets?

Base: All cryptoasset owners (n=713)

Use of cryptoassets to place a bet was higher among those who:

- were self-employed or a Director of a business (23%); and
- had other types of investments (17%) or a financial advisor (40%).

Being paid in cryptoassets was higher among those who had other investments (13%) and those who had a financial advisor (31%).

Decentralised Finance (DeFi) does not rely on central parties or banks, and instead uses smart contracts on blockchains. For example, Ethereum allows people to lend or borrow funds, trade cryptocurrencies, purchase insurance and earn a return. Cryptoasset owners were asked if they were using or had used and DeFi products.

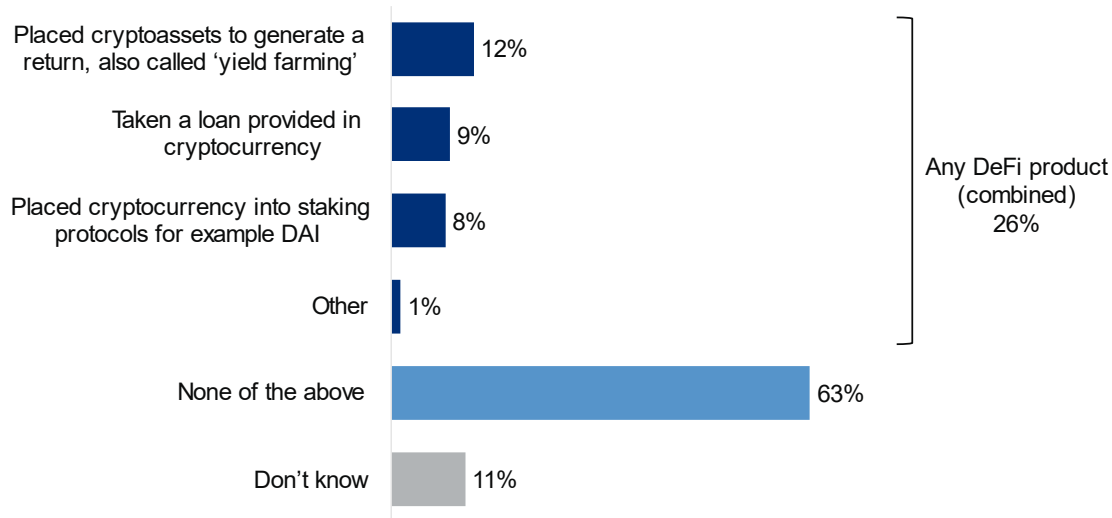
Figure 6.2 shows that overall, 26% of owners had experience of Decentralised Finance products.

Uptake of any DeFi products was higher among:

- frequent traders: had made 10 or more acquisitions in the last two years (49%) or 10 or more disposals in the last year (70%);
- those who had other types of investments (31%) or a financial advisor (51%);
- those who were very likely to acquire cryptoassets in the future (36%); and
- those with higher awareness of cryptoasset tax treatment: seen HMRC tax guidance (50%) or had a good understanding of Capital Gains Tax (33%).

These findings suggested that awareness of the cryptoasset tax implications was higher among owners that demonstrated more complex cryptoasset behaviours.

Figure 6.2 Use of DeFi products by current and former cryptoasset owners



Source: EXP5a Are you using or have you used DeFi products? Multicode  
 Base: All cryptoasset owners (n=713)

Utilising cryptoassets to generate a return, also known as 'yield farming', was the most commonly mentioned DeFi product, with 12% indicating use at present or in the past. Use of yield farming was higher among those who:

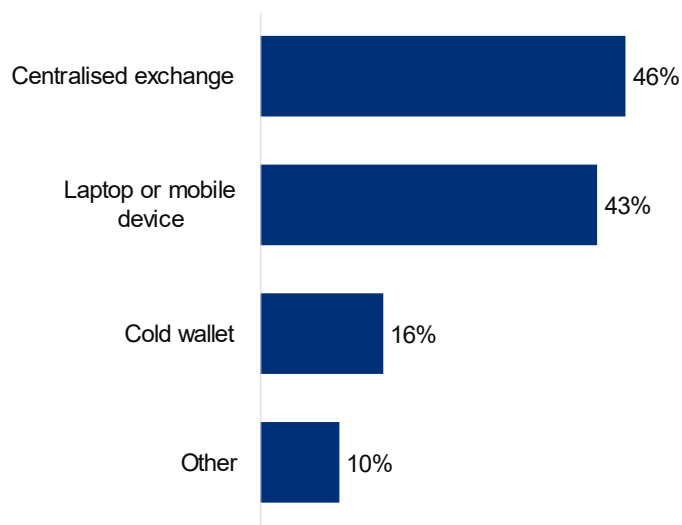
- were aged between 25-44 (18%);
- had other types of investments (15%) or a financial advisor (26%);
- frequent traders: had made 10 or more acquisitions in the last two years (24%) or 10 or more disposals in the last year (38%);
- had cryptoasset holdings of more than £5,000 (30%); and
- had seen HMRC tax guidance (25%).

Owners that said they held cryptoassets because they were a 'fun investment' were less likely to use DeFi products: 71% of whom had used no DeFi products.

## 6.2 Preferences in owning cryptoassets

All owners were asked how they stored their private key, as shown in Figure 6.3.

Figure 6.3 Methods of storing private key by current and former cryptoasset owners



Source: EXP2 Which of the following do you use to store your private key? Multicode  
Base: All cryptoasset owners (n=713)

The most frequently mentioned method was a 'centralised exchange', with 46% of owners. This method was more common among those:

- that had made between 2-9 acquisitions in the last two years (55%) or between 2-9 disposals in the last year (61%);
- with cryptoasset holdings of a value between £101-£1,000 (58%);
- with a good understanding of Capital Gains Tax (54%); and
- 'very likely' to acquire cryptoassets in the future (61%).

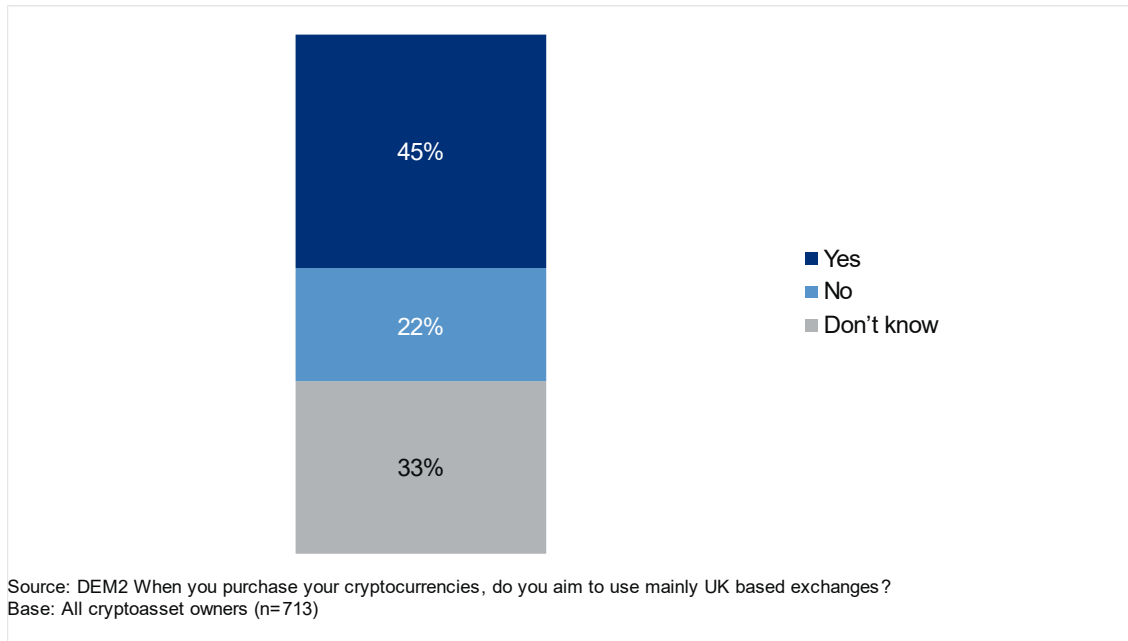
16% of owners overall had used a cold wallet. It was more common among those:

- that had made 10 or more acquisitions in the last two years (33%) or 10 or more disposals in the last year (61%);
- with cryptoasset holdings of a value more than £5,000 (28%); and
- with a financial advisor (25%).

Owners over the age of 65 were more likely to use a laptop or mobile device to store their private key (62%).

Cryptoasset owners were asked if they mainly aimed to use UK based exchanges when purchasing cryptocurrency. Figure 6.4 shows that 45% of owners did, 22% did not. A third (33%) did not know.

Figure 6.4 Preference for UK based exchanges by current and former cryptoasset owners



The preference for *not necessarily* aiming to use a UK based exchange was higher among owners:

- that had other types of investments (24%);
- frequent traders: had made 10 or more acquisitions in the last two years (43%) or 10 or more disposals in the last year (38%);
- ‘very likely’ to acquire cryptoassets in the future (30%); and
- with medium-high value crypto holdings (£1,001-£5,000: 38%).

The preference to use a UK based exchange was higher among owners:

- who had made between 2-9 acquisitions in the last two years (54%) or between 2-9 disposals in the last year (55%);
- with a financial advisor (58%); and
- those with higher awareness of cryptoasset tax treatment: seen HMRC tax guidance (62%) or had a good understanding of Capital Gains Tax (52%).





Figure 7.2 Likelihood of future cryptoasset acquisition

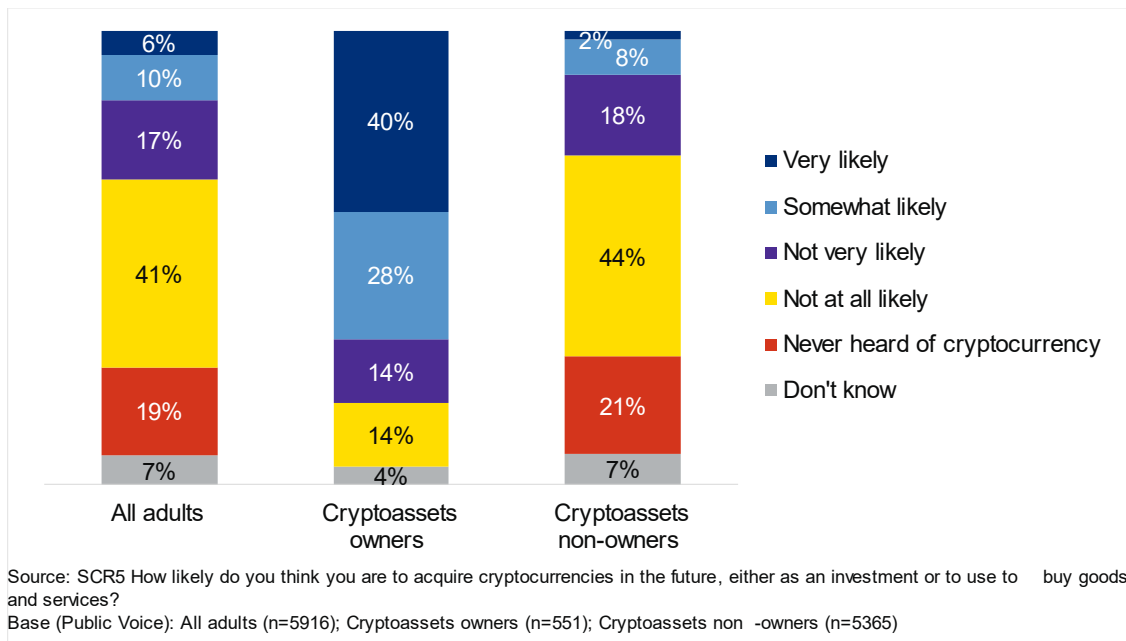


Table 7.1 Likelihood of future cryptoasset acquisition

	<b>All adults</b>	<b>Cryptoasset owners</b>	<b>Cryptoasset non-owners</b>
<b>Very likely</b>	6%	40%	2%
<b>Somewhat likely</b>	10%	28%	8%
<b>Not very likely</b>	17%	14%	18%
<b>Not at all likely</b>	41%	14%	44%
<b>Never heard of cryptocurrency</b>	19%	0%	21%
<b>Don't know</b>	7%	4%	7%
<b>Base</b>	5916	551	5365

Among cryptoasset owners, the proportion that considered future acquisition 'very likely' was higher among:

- men (46% compared with 31% of women);
- frequent traders: those that had made 10 or more acquisitions in the last two years (76%) or 10 or more disposals in the last year (84%);
- those with higher awareness of cryptoasset tax treatment: seen HMRC tax guidance (54%) or had a good understanding of Capital Gains Tax (54%); and
- those with higher value cryptoasset holdings (£1,001-£5,000: 71%, £5,000: 71%).

Older cryptoasset owners were more likely to consider future acquisition 'not very likely' or 'not at all likely' (49% of those aged 65+ compared with 28% of owners overall).

Among non-cryptoasset owners the subgroup trends were similar. Men were more likely to say they were 'very likely' or 'somewhat likely' to acquire cryptoassets in the future (14% compared with 6% of women), as were younger people (17% of 18-24 year olds compared with 1% of 65+).

Figure 7.3 shows the proportions of all adults, cryptoasset owners and non-owners that said they were more likely to acquire cryptoassets if they could earn a return on their holding. Overall, 26% of adults said acquisition would be more likely under this scenario, which included 69% of owners and 22% of non-owners. A full breakdown of findings is shown in Table 7.2.

The proportion of owners that would be more likely to acquire cryptoassets if a return could be earned (69%) was similar to the proportion that were, in general, 'very' or 'somewhat likely' to acquire cryptoassets in the future (68%). Among non-holders: 22% said they would be more likely to acquire if a return could be earned, compared with 10% who said they were 'very' or 'somewhat likely' to acquire cryptoassets in general.

Figure 7.3 Likelihood of future cryptoasset acquisition if a return could be earned

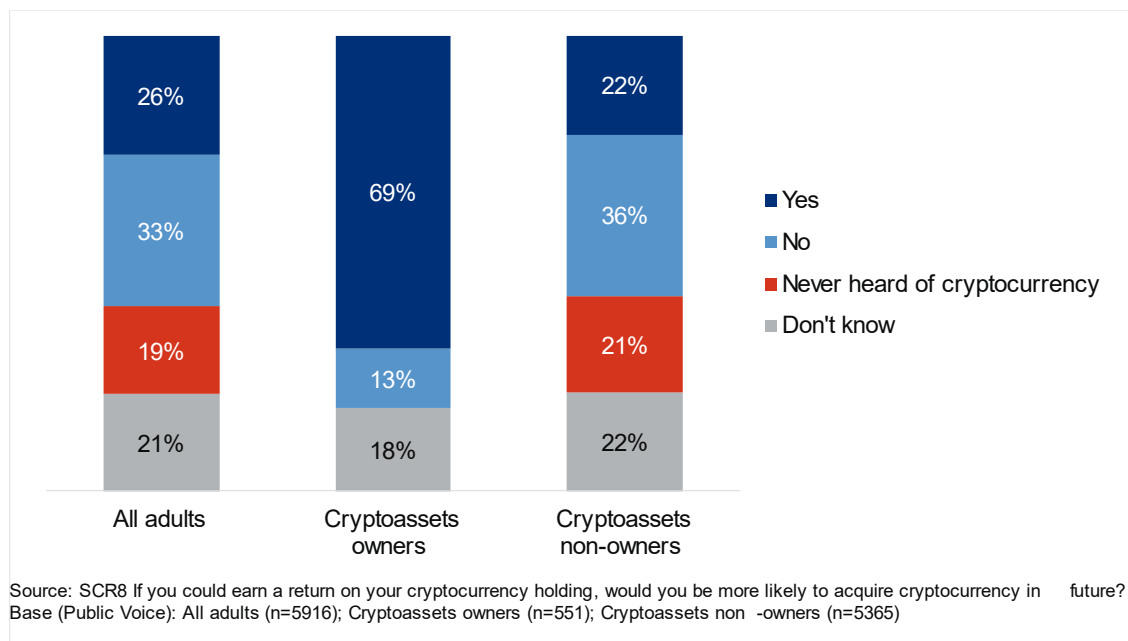


Table 7.2 Likelihood of future cryptoasset acquisition if a return could be earned

	All adults	Cryptoasset owners	Cryptoasset non-owners
<b>Yes</b>	26%	69%	22%
<b>No</b>	33%	13%	36%
<b>Never heard of cryptocurrency</b>	19%	0%	21%
<b>Don't know</b>	21%	18%	22%
<b>Base</b>	5916	551	5365

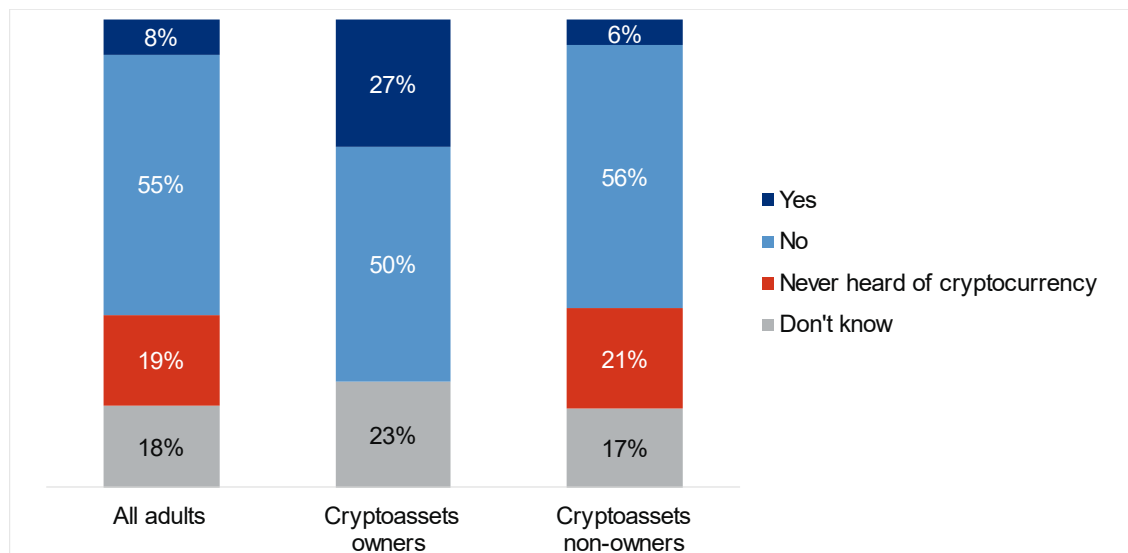
The likelihood of acquiring cryptoassets if a return could be earned was higher among owners who were:

- Asian (87%);
- had other types of investments (76%);
- frequent traders: those that had made 10 or more acquisitions in the last two years (85%) or 10 or more disposals in the last year (90%);
- had a good understanding of Capital Gains Tax (80%); and

- had high value cryptoasset holdings (£1,001-£5,000: 85%, £5,000: 84%).

Figure 7.4 shows the proportions of all adults, cryptoasset owners and non-owners that said they were more likely to acquire cryptoassets if a large technology firm created their own cryptocurrency. Overall, 8% of adults said acquisition would be more likely, which included 27% of owners and 6% of non-owners. A full breakdown of findings is shown in Table 7.3.

Figure 7.4 Likely uptake of technology firms' cryptocurrency



Source: SCR7 Large technology firms have been considering creating forms of cryptocurrencies, such as Facebook's Diem. Would the introduction of these products make you more likely to use this type of technology and hold their tokens?  
 Base (Public Voice): All adults (n=5916); Cryptoassets owners (n=551); Cryptoassets non-owners (n=5365)

Table 7.3 Likely uptake of technology firms' cryptocurrency

	All adults	Cryptoasset owners	Cryptoasset non-owners
<b>Yes</b>	8%	27%	6%
<b>No</b>	55%	50%	56%
<b>Never heard of cryptocurrency</b>	19%	0%	21%
<b>Don't know</b>	18%	23%	17%
<b>Base</b>	5916	551	5365

Stated likely uptake of technology firms' cryptocurrency is higher among owners who:

- were Asian (54%);
- had a financial advisor (57%);
- currently owned cryptoassets (40%);
- had made 10 or more disposals in the last year (78%); and
- had a good understanding of Capital Gains Tax (56%).

## 8. Key insights

Insights from this research suggested that the population of cryptoasset owners existed on a spectrum. That is, a spectrum from higher earning, higher trading individuals with gains liable for Capital Gains Tax (CGT), through to individuals with lower income, who acquired small amounts and had gains below the Annual Exempt Amount (AEA)<sup>13</sup>. This hypothesis was tested through a cluster analysis, which identified the key groups across this spectrum.

The analysis segmented cryptoasset owners into groups according to income, trading frequency and whether or not any gains were above or below the AEA. As with any cluster analysis, not all group members fitted perfectly into a 'typical' member mould. But nonetheless, these 'pen portraits' describe the main characteristics that differentiate the segments from each other and the 'average' cryptoasset owner. Table 8.1 shows the proportions of each group that fall into each characteristic described.

### 8.1 Group A (7% of cryptoasset owners)

Cryptoasset owners in Group A tended to have a higher income and traded cryptoassets more frequently than average. Of all the groups, they were most likely to have gains above the AEA. They were more concentrated in London and the south-east of England, reflecting the broader profile of CGT taxpayers. This group was most likely to have a professional financial adviser.

Group A cryptoasset owners were more likely than owners in the other groups to view cryptoassets as 'a core part of my investment portfolio', but were no less likely to view them as 'a fun investment'. They were more likely to have seen HMRC's guidance on tax treatment and claim to have a good understanding of CGT. They received information on cryptoasset tax treatment from the broadest range of sources, but HMRC was the most frequently used. They also acquired cryptoassets through the greatest ranges of methods. Almost all said they were 'very likely' to acquire cryptoassets in the future.

### 8.2 Group B (21% of cryptoasset owners) and Group C (60% of cryptoasset owners)

Combined, Groups B and C made up the vast majority of cryptoasset owners and were very similar on certain characteristics. They both had gains well below the CGT threshold, if any, and their knowledge of the tax liability on cryptoassets was generally low. These groups were more likely to know little or nothing about CGT and most had not seen HMRC cryptoasset tax guidance. Both were much more likely to view cryptoassets as 'a fun investment' rather than as 'a core part of my investment portfolio'.

Members of these groups were less likely to have a financial advisor and far more likely to have not seen any information regarding tax on cryptoassets. Where they had seen tax information, it was most frequently through a search engine or HMRC.

The difference between these two groups was their demographic profile, which was likely linked to their cryptoasset behaviour. Group B was younger, earning a lower income, were infrequently trading and experienced lower gains. In comparison Group C were slightly older, had slightly higher incomes, were slightly more frequent traders and where profits were made, had slightly higher gains.

### 8.3 Group D (12% of cryptoasset owners)

Cryptoasset owners in Group D had a similar income profile to members of Group C (i.e., the 'slightly higher' income group), but traded cryptoassets as frequently as Group A. They had average gains below the CGT threshold, but they tended to be higher than the gains experienced by Groups B and C.

---

<sup>13</sup> The Annual Exempt Amount is the level of capital gains taxpayers can realise before paying Capital Gains Tax in a given tax year.

However, Group D had relatively low awareness of the tax liability (slightly higher than Groups B and C, but lower than Group A). More than half knew little or nothing about CGT and fewer had seen HMRC cryptoasset tax guidance than had. This could pose some risk, particularly if they move closer towards the Group A profile. This group are likely to acquire cryptoassets in the future, and if they are not already, become CGT taxpayers.

Table 8.1 to 8.14 Illustrative differences between the cryptoasset segments

Age category	A	B	C	D	Total
18-24	8%	34%	21%	24%	25%
25-44	78%	42%	51%	47%	51%
45-64	13%	21%	23%	27%	19%
65+	1%	2%	6%	2%	5%

Table 8.2

Income category	A	B	C	D	Total
Base	53	152	425	82	549
Up to £12,500	0%	100%	0%	19%	23%
Over £12,500, less than £50,000	32%	0%	81%	81%	62%
Over £50,000	68%	0%	19%	0%	15%
Prefer not to say	0%	0%	0%	0%	0%

Table 8.3

Gains liable for CGT	A	B	C	D	Total
Base	52	117	376	67	612
CGT liable gain	64%	0%	1%	1%	4%
No CGT liable gain	36%	100%	99%	99%	96%
Base	53	152	425	83	713

Table 8.4

Trading frequency	A	B	C	D	Total
Low	0%	60%	41%	0%	39%
Medium	9%	40%	59%	0%	46%
High	91%	0%	0%	100%	16%
Base	53	152	425	83	713

Table 8.5

How many times they acquired cryptocurrency in the last 2 years	A	B	C	D	Total
0	0%	21%	19%	6%	17%
1	3%	39%	23%	0%	23%
2-4	11%	33%	39%	7%	33%
5-9	15%	7%	19%	3%	14%
10-19	63%	0%	0%	62%	10%
20 or more	8%	0%	0%	22%	3%
Base	53	152	425	83	713

Table 8.6

Approximately how many times have they disposed of cryptocurrencies in the last year	A	B	C	D	Total
1	0%	24%	36%	9%	26%
2-4	9%	55%	45%	21%	38%
5-9	14%	20%	16%	11%	16%
10-19	24%	0%	0%	32%	8%
20-49	27%	0%	0%	1%	3%
50-99	17%	0%	0%	10%	4%
100 or more	0%	0%	0%	1%	0%
Don't know	9%	1%	3%	15%	6%
Base	48	54	197	63	362

Table 8.7

Why respondent holds cryptocurrencies	A	B	C	D	Total
Core part of my investment portfolio	54%	11%	17%	34%	19%
Fun investment	59%	52%	53%	40%	52%
Base	53	152	425	83	713

Table 8.8

<b>What they understand by Capital Gains Tax (CGT)</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>Total</b>
I have a good understanding of CGT	90%	27%	32%	40%	34%
I have heard of CGT but know very little or nothing about it	8%	29%	40%	44%	37%
I am not familiar with CGT	0%	30%	23%	12%	22%
Prefer not to say	2%	14%	4%	5%	7%
Base	53	152	425	83	713

Table 8.9

<b>Whether seen HMRC guidance</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>Total</b>
Yes	72%	19%	26%	40%	28%
No	28%	81%	74%	60%	72%
Base	53	152	425	83	713

Table 8.10

<b>Whether have a professional advisor</b>					
Yes	70%	13%	18%	19%	19%
No	30%	87%	82%	81%	81%
Base	53	152	425	83	713

Table 8.11

<b>How likely to acquire cryptocurrencies in the future</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>Total</b>
Very likely	89%	39%	34%	68%	40%
Somewhat likely	10%	33%	37%	15%	28%
Not very likely	1%	14%	13%	6%	14%
Not at all likely	0%	6%	11%	10%	14%
Don't know	0%	7%	4%	2%	4%
Base	53	152	425	83	551



Table 8.12

Where they received information regarding tax on cryptocurrencies	A	B	C	D	Total
Search engine	56%	17%	23%	37%	24%
Read HMRC guidance or telephoned HMRC	63%	19%	22%	45%	26%
Reading about it online or in print e.g. in an article or blogpost	51%	9%	11%	35%	15%
Hearing about it from a friend or family member	46%	7%	10%	12%	11%
Online forum or social media platform	33%	6%	7%	21%	10%
On the advice of my financial advisor	21%	4%	3%	7%	4%
I have not seen any information regarding tax on cryptoassets	14%	51%	44%	21%	41%
Other	1%	0%	1%	0%	1%
Prefer not to say	2%	7%	2%	1%	3%
Base	53	152	425	83	713

Table 8.13

Tax paying method	A	B	C	D	Total
Tax is deducted before I am paid	79%	42%	72%	69%	65%
My tax is paid through self assessment / tax returns	25%	21%	28%	22%	25%
I don't need to pay tax	6%	31%	4%	11%	11%
Don't know	2%	7%	2%	1%	3%
Base	53	152	425	83	713

Table 8.14

Method of acquiring cryptoassets	A	B	C	D	Total
Centralised exchange (e.g. Coinbase, eToro or Revolut)	89%	66%	67%	72%	68%
Decentralised exchange (e.g. Shapeshift)	54%	4%	6%	8%	8%

Peer-to-peer site such as Local Bitcoin	48%	5%	11%	11%	11%
Initial coin offering	22%	11%	4%	2%	6%
Friends, family or colleagues	27%	5%	4%	6%	6%
Mining	28%	10%	6%	27%	11%
Payment for goods or services	26%	3%	2%	7%	4%
Gift	9%	11%	9%	4%	9%
Other	0%	2%	6%	3%	4%
Base	53	152	425	83	713

## 9. Appendix A: Approach to weighting

Interviews with cryptoasset owners were obtained from two different sample sources:

- Public Voice: probabilistic sampled panel
- Profiles: online access panels

### Public Voice

The screened Public Voice sample was weighted to be representative of the general population. This means that the 551 individuals that screened in as cryptoasset owners are representative of the population of cryptoasset owners. This weighting exercise took three stages:

1. For every survey respondent, a base weight was calculated that was equal to his/her panel recruitment weight divided by the probability of being sampled for the survey.
2. For every survey respondent, a propensity score weight was estimated, as a function of >100 panel recruitment survey variables. To limit over-reliance on the model, the propensity score weight was limited to the inter-90 percentile range, and the value of the product of the base and propensity score weights was trimmed to have a maximum equal to the 98th percentile value. This was used as weight (2).
3. Using weight (2) as a starting point, the survey respondent sample was calibrated to the most up-to-date weighted ONS UK Labour Force Survey with respect to sex\*age group, region, birth country, and highest educational level. The simple raking algorithm was used for this step.

The design effect for the general population sample is 2.07.

However, of the 551 individuals that screened in, only 459 (83%) agreed to take part in the full questionnaire. There is a risk that those that chose to complete the full questionnaire may systematically differ from those that did not participate. Therefore, an additional stage of weighting was required to ensure that these 459 cases closely match the profile of the 551 cases (weighted using the standard Public Voice weight).

A logistic regression was used to estimate the probability that a cryptoasset owner also agreed to participate in the full questionnaire, given the data recorded in the screener and demographic data held on all Public Voice panellists. The regression algorithm iterated through a set of respondent characteristics deemed as candidate predictors of response propensity to identify characteristics that are most predictive of whether a full interview was obtained or not.

Predictors used in the final model included:

- Age by gender
- Ethnicity
- Working status
- Whether respondent has ever sold any of their cryptocurrencies
- How likely respondent is to acquire cryptocurrencies in the future
- Whether respondent would be more likely to acquire cryptocurrency in future if they would earn a return on it

An attrition weight was created by inverting the probability that eligible respondents took part in the full questionnaire (estimated by the non-response model outlined above). The final weight was then derived by multiplying the attrition weight by the standard Public Voice weight.

## Profiles

We used Kantar’s online access panels to conduct 254 interviews with cryptoasset owners. Access panels are convenience sample sources that consist of volunteers that sign up to participate in surveys. There is therefore a significant risk that these respondents are not representative of the population of cryptoasset holders.

To deal with this issue, we have used Propensity Score Matching (PSM) to generate weights ensuring that the online access panel sample is well matched to the benchmark weighted Public Voice sample profile.

First, a logistic regression model was used to predict whether cryptoasset owners were sampled via Public Voice or from online access panels. The following variables were included in the model:

- Age by gender
- Disability
- Ethnicity
- Frequency of internet use
- Region
- Highest qualification
- Whether respondent has ever sold any of their cryptocurrencies

Then using a kernel-based PSM algorithm, the outcome from this model was used to generate a weight which made the online access panel group as similar as possible to the Public Voice group across these variables.

## Final cryptoasset owners weight

The separate weights outlined have been combined into a single weight which allows the 713 cryptoasset owners that participated in the full questionnaire (the 254 Profiles cases and 459 Public Voice cases) to be analysed together.

In combining these weights, the main objective was to maximise the overall effective sample size. To achieve this, each sample source was scaled in proportion to their effective sample size (as per Table A.1).

Table A.1 Effective sample size contribution by data collection source

	<b>Number of interviews achieved</b>	<b>Effective sample size</b>	<b>Contribution to the final weight</b>
<b>Public Voice</b>	459	240	71.8%
<b>Profiles</b>	254	94	28.2%

The overall design effect is estimated<sup>14</sup> as 2.13 and the effective sample size is c.334.

A comparison of the weighted sample profile and the benchmark is provided in Table A.2.

---

<sup>14</sup> Design effect calculated as  $1 + \text{cov}(W)^2$  – where  $\text{cov}(W)$  is the coefficient of variation of the weights

Table A.2 Comparison of unweighted and weighted sample

	Benchmark (Public Voice 551 respondents that screened in) %	Final sample (PV + online access panels)	Final sample (PV + online access panels)
	%	Unweighted %	Weighted %
<b>Gender by age</b>			
Male 18-24	16.0	8.3	14.4
Male 25-34	23.4	18.0	21.7
Male 35-44	15.4	18.4	16.0
Male 45-54	6.0	8.4	7.8
Male 55+	8.3	11.4	8.8
Female 18-24	6.0	5.2	7.4
Female 25-34	8.4	11.5	7.7
Female 35-44	5.7	8.7	5.9
Female 45-54	5.8	5.9	6.2
Female 55+	5.0	4.3	4.1
<b>Long term illness / disability</b>			
Yes	23.1	21.9	24.7
No/Dk/Missing	76.9	78.1	75.3
<b>Ethnicity</b>			
White	81.6	82.2	82.6
Non-white	18.4	17.8	17.4
<b>Frequency of internet use</b>			
Every day, 3 hours +	39.4	48.2	39.5
Every day, >2 & <3h	23.4	22.7	22.7
Every day, >1 & <2h	23.6	17.8	26.2
Less often	13.6	11.2	11.6
<b>Region</b>			
North of England (NE, NW, Y&H)	20.4	22.6	23.1
Midlands England (EM, WM, E)	24.5	23.0	23.6
London	17.9	23.4	16.3
SE / SW	23.7	22.7	23.2
Scot/Wal/NI	13.5	8.3	13.9
<b>Highest qualification</b>			
No degree	58.3	42.2	59.2
degree	41.7	57.8	40.8
<b>Working status</b>			
Self-employed	13.4	12.5	13.4
Employed (FT/PT)	63.1	65.8	63.5
Other	23.5	21.7	23.2

<b>Whether respondent has ever sold any of their cryptocurrencies</b>			
Never sold any cryptocurrency	55.4	40.3	53.0
Yes, I've sold some but not all	26.5	40.1	28.8
Yes, I've sold all and no longer have any	18.1	19.6	18.2