

**REFORMUK**

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## **Cryptoassets and Digital Finance Bill**

# Executive Summary

## ***Cryptoassets and Digital Finance Bill***

Today, Reform UK delivers a statement of intent - as part of its goal of making the United Kingdom one of the most innovative economies in the world. As Prime Minister, Nigel Farage will enact the **Cryptoassets and Digital Finance Bill**.

The Bill sets out a bold, post-Brexit roadmap to make the United Kingdom the world's premier hub for cryptocurrency and blockchain innovation.

For too long, financial services in the UK have neglected the needs and aspirations of young Britons. 7 million people in the UK hold crypto, including 1 in 4 Brits aged 18-34.

The Bill is a jump-start for the UK startup community, as part of Reform UK's commitment to making the UK the best country in the world to start, scale and run a business.

Freed from the shackles of EU regulatory quagmire, the Bill leverages the UK's regulatory sovereignty, empowering it to combine competitive taxation, light-touch supervision and institutional adoption. Advantages only possible because the UK now controls its own financial rulebook.

This Bill is proof that a Reform government will prioritise the privacy and financial sovereignty of all citizens of the United Kingdom.

**To demonstrate our seriousness Reform UK is also proud to announce it is, as of today, the first UK political party in history to be able to accept donations in Bitcoin, Ethereum, as well as other cryptocurrencies.**

Reform UK believes in the awesome, dynamic potential of the British people. This Bill is a firing gun on a transformative agenda to deliver a new British economy, fit for the digital age.

## **1. 10% Capital Gains Tax on Crypto**

- A single 10% CGT rate will apply to gains on **cryptocurrencies and eligible blockchain-based digital assets**, overriding higher rates in existing tax law while preserving the tax-free allowance for chargeable gains.
- It is anticipated that this will result in a significant increase in revenue for HM Treasury, as a result of onshoring, increased transactions and tax compliance.
- This clear, low headline rate mirrors the City's historic success with corporation tax cuts and would be impossible under the EU's mandatory minimum-tax directives.

## **2. Two-Year Regulatory Sandbox**

- The **FCA, with HM Treasury**, will run a two-year **Blockchain Financial Services Sandbox** open to large financial institutions and designated firms, granting temporary relief from selected rules while maintaining core AML/CTF safeguards.
- This will ensure the City of London is given a chance to catapult itself to once again be a global leader in finance, fit for the new digital age.
- Within 90 days of the sandbox ending, regulators must publish findings and propose permanent reforms.

### 3. Banking Non-Discrimination Duty

- It will be illegal for Banks and payment providers to **deny or withdraw services** solely because a customer deals in lawful cryptoassets.
- The burden of proof lies on the bank to show any refusal is for legitimate, non-crypto reasons.
- This will mean no bank can de-bank a consumer just because they wish to own, trade or transact in crypto.

### 4. Sovereign Bitcoin Reserve Fund

- HM Treasury will create and manage a **Bitcoin Reserve Fund** as part of the UK's official reserves, diversifying holdings, signalling confidence in digital assets and capturing potential long-run appreciation.
- Quarterly public reporting and an annual independent audit will ensure transparency.

### 5. Paying Taxes in Cryptocurrency

- HMRC must build systems to accept Bitcoin (and other approved crypto) for tax liabilities, using HMRC-published GBP exchange rates at the time of payment.
- Crypto collected can be converted into sterling or added to the Bitcoin Reserve Fund.

### 6. Rapid Policy-Making Timelines

- Any government taskforce or commission on crypto is limited to 90 days (extendable by 30 days only with parliamentary approval) to prevent bureaucratic drift and keep the UK well ahead of slow EU processes.

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## Why This Is a Brexit Dividend

1. **Regulatory Autonomy:** The UK can set its own agile sandbox and banking-access rules, unconstrained by the EU's Markets in Crypto-Assets (MiCA) Regulation.
2. **Fiscal Flexibility:** A bespoke 10 % CGT rate and acceptance of crypto for taxes would have required unanimous EU approval under previous VAT & Own Resources constraints.
3. **Monetary Innovation:** Establishing a sovereign Bitcoin reserve sits outside the European Central Bank framework, and manifests the UK's independent monetary strategy.

Low taxes, pro-innovation regulation and nation-state-level adoption mean Reform UK's Bill positions Britain as the go-to jurisdiction for crypto and blockchain entrepreneurship.

Reform UK has today become the first UK political party in history to accept donations via cryptocurrencies.

# CRYPTOASSETS AND DIGITAL FINANCE BILL

*(Bill to provide for a 10% capital gains tax on crypto assets, a two-year regulatory sandbox, non-discrimination protections for crypto users by banks, a government Bitcoin reserve fund, the acceptance of crypto for tax payments, and related measures.)*

## A B I L L T O

Make the United Kingdom the most attractive jurisdiction for building cryptocurrency and blockchain businesses, through the provision of a competitive tax regime, a regulatory sandbox for innovation, protections for crypto users in the banking system, establishment of a national Bitcoin reserve, acceptance of cryptocurrency for tax payments, expedited procedures for policy development, and for connected purposes.

**B**E IT ENACTED by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:

### **1 Capital Gains Tax on cryptoassets**

- (1) Notwithstanding any other provision of law, a capital gains tax rate of 10% applies to all gains arising from the disposal of cryptoassets, to the extent that such sums exceed the amount as specified in Section 3 of the Taxation of Chargeable Gains Act 1992.
- (2) The 10% rate established by this section shall supersede any higher rate otherwise applicable to such gains under the Taxation of Chargeable Gains Act 1992 or other relevant legislation. Where a lower rate would otherwise apply, the lower rate shall prevail.
- (3) The Treasury must review the impact of the 10% capital gains tax rate on investment and tax revenue within two years of the commencement of this section, and lay a report before Parliament including any recommendations, to maintain or adjust the rate.

### **2 Blockchain innovation sandbox**

- (1) The Financial Conduct Authority (FCA) must, in consultation with the Treasury, establish a Blockchain Financial Services Sandbox (referred to in this Act as "the Sandbox") program for the development and testing of blockchain-based financial service innovation.
- (2) The Sandbox operates for a period of two years from its establishment.
- (3) The Sandbox shall permit Eligible Persons to develop, within the scope permitted by the FCA, activities involving cryptoassets or distributed ledger technology for the purposes of innovation in financial services.
- (4) The FCA may exempt participants in the sandbox from specified requirements under financial services legislation, provided that the participant
  - (a) acts in good faith, with a view to genuinely testing innovative products or services;
  - (b) notifies the FCA and complies with any conditions or restrictions imposed by the FCA; and
  - (c) continues to adhere to requirements relating to consumer protection, anti-money laundering, and counter-terrorist financing.
- (5) The FCA must make rules specifying that the participant
  - (a) the eligibility criteria for participation in the sandbox (including the meaning of "Eligible Persons")
  - (b) the scope of activities permitted within the sandbox; and
  - (c) the regulatory requirements that may be disapplied or modified for the duration of participation.

- (6) Within 90 days after the conclusion of the sandbox period, the FCA must lay before Parliament and the Treasury a report on the operation and outcomes of the Sandbox, including the impact on innovation and market development and any recommendations for permanent regulatory changes.
- (7) The Treasury may by regulations made under the Financial Services and Markets Act 2023, or otherwise, make provision for the disapplication or modification of any enactment as necessary to give full effect to the sandbox for the period during which it operates.

### **3 Prohibition on discrimination against lawful crypto users**

- (1) A financial institution must not deny or restrict services to a person solely due to lawful involvement with cryptoassets.
- (2) For the purpose of this section, lawful involvement includes, but not limited to
  - (a) holding an account at a registered crypto exchange;
  - (b) operating a registered crypto-related business; or
  - (c) receiving payments in cryptoassets.
- (3) Financial institutions shall not impose limitations or penalties on customers for transferring funds to or from legitimate cryptoasset platforms, beyond standard fraud or security controls that apply to any other transaction type.
- (4) The Prudential Regulation Authority and the FCA shall oversee compliance with this section. They may issue guidance clarifying lawful crypto-related activities that are protected, and must take appropriate action against institutions found to engage in discriminatory practices toward crypto users or businesses.
- (5) This section does not prevent a financial institution from denying services where there is a legitimate, objectively justified reason.
- (6) The burden is on the financial institution to prove such justification.
- (7) In the event of an alleged violation of this section, affected customers may submit a complaint to the FCA. The FCA shall have the power to investigate and, where appropriate, levy penalties or issue orders for reinstatement of services.

### **4 Bitcoin Reserve Fund**

- (1) The Treasury shall establish a Bitcoin Reserve Fund (“the Fund”) as part of the United Kingdom’s official reserves.
- (2) The Fund shall be managed by the Treasury (or a competent nominated agency as the Treasury sees fit) with appropriate risk management and security measures.
- (3) The Fund’s Holdings must be reported quarterly to Parliament, including acquisition and disposal details and valuation in pounds sterling.
- (4) The Treasury may reallocate foreign currency reserves or use other funds to initiate the Fund.
- (5) Bitcoin must be the principal holding of the Fund; other cryptoassets may be held as approved by the Treasury.
- (6) The Fund’s objectives include
  - a) diversifying the UK’s reserve assets;
  - b) signalling confidence in digital assets; and
  - c) improving public finances through long term holdings.
- (7) An annual independent audit of the Fund’s holdings and security arrangements must be laid before the Public Accounts Committee.

## **5 Payment of taxes in cryptocurrency**

- (1) HM Revenue and Customs (“HMRC”) must establish and maintain systems for the acceptance of tax payments made using approved cryptoassets.
- (2) The Treasury, in consultation with HMRC, must specify by order which cryptocurrencies are approved for tax payment purposes under this section.
- (3) Bitcoin is to be treated as an approved cryptoasset on the commencement of this section.
- (4) The amount of tax liability discharged by a payment in cryptoassets is to be determined in accordance with the value of the cryptoasset at the time of receipt by HMRC, calculated by reference to such exchange rates or valuation mechanisms as HMRC must publish in guidance.
- (5) On receipt of a payment under this section, HMRC may
  - a) convert the cryptoassets into pound sterling, or
  - b) transfer the cryptoassets into the Bitcoin Reserve Fund established under section 4.
- (6) Paying taxes in approved cryptocurrency shall discharge the tax liability as if the equivalent amount in pound sterling had been paid. HMRC shall provide the taxpayer with confirmation of the value received and the discharge of the amount owed.
- (7) Within one year of the commencement of this section, and annually thereafter, HMRC must lay before Parliament a report on:
  - (a) the use of cryptoasset payments by taxpayers; and
  - (b) any operational or legal issues arising from the implementation of this section; and
  - (c) any proposed improvements and recommendations.

## **6 Timelines for crypto policy taskforces**

- (1) Any government taskforce established to study or report on cryptocurrency, cryptoassets, or distributed ledger technology must complete its work and issue recommendations within a maximum duration of 90 days from the date of formal constitution or appointment of members, whichever is later.
- (2) An interim report must be provided after 45 days. A final report or set of recommendations must be delivered to the relevant Minister no later than the 90th day.
- (3) The Chancellor of the Exchequer may, by written direction laid before Parliament, extend the 90-day period by not more than 30 days in exceptional circumstances.
- (4) Any further extension may be made only by regulations approved by resolution of the House of Commons.
- (5) This section applies to taskforces established after the commencement of this Act and to existing ones as far as practicable. Existing taskforces must use best endeavors to conclude their work within 90 days.
- (6) All taskforces and committees covered by this section shall operate with transparency and urgency, make public their terms of reference and final reports, subject to any necessary redactions.

## **7 Interpretation**

- (1) In this Act –

“Bitcoin” means the decentralised digital asset recorded on the Bitcoin blockchain, designed to serve as a medium of exchange and store of value; “Cryptoasset” means a cryptographically secured digital representation of value or contractual rights that

  - (a) uses technology that supports the recording or storage of data (which may include distributed ledger technology); and
  - (b) can be transferred, stored or traded electronically;

and includes, in particular, exchange tokens, utility tokens, security tokens, stablecoins, and any other digital assets designated as cryptoassets by the Treasury.

“Cryptocurrency” means a type of cryptoasset that

- (a) is intended primarily to function as a medium of exchange, store of value, or unit of account; and
- (b) is not issued or guaranteed by a central bank or public authority;

and includes Bitcoin, Ethereum, and other decentralised tokens of similar character.;

“Crypto exchange” means a platform or service provider that facilitates the exchange, purchase, sale, or custody of cryptoassets, and which is registered or authorised under applicable law.

“Disposal” - has the meaning given in the Taxation of Chargeable Gains Act 1992.

“Eligible blockchain assets” shall be defined by HMRC by regulations, and may include tokens representing securities, utility tokens, or other digital assets recorded on a blockchain;

“Eligible Persons” shall be defined as large financial institutions and other designated firms as per the FCA;

“FCA” means the Financial Conduct Authority;

“Financial Institution” means bank, building society, electronic money institution, or payment service provider operating in the UK;

“HMRC” means His Majesty’s Revenue and Customs;

“Taskforce” means a working group, review body, or other committee established by or on behalf of a Minister of the Crown for the purpose of examining cryptoassets, distributed ledger technology, or related policy matters;

“the Treasury” means the Commissioners of His Majesty’s Treasury;

## **8 Short Title, Commencement, and Extent**

- (1) This Act may be cited as the **Cryptoassets and Digital Finance Act**.
- (2) This Act extends to the whole of the United Kingdom.
- (3) Section 1 and Section 5 of this Act (tax provisions) shall come into force on 6 April.  
Sections 2, 3, 4, 6, and the remaining provisions shall come into force on the day this Act receives Royal Assent.
- (4) Should any provision of this Act be held invalid by a court of competent jurisdiction, such invalidity shall not affect the remaining provisions, which shall remain in force to the fullest extent possible.