Crypto Asset Reporting Framework

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The CIOT has responded to an HMRC consultation on the implementation of the international Crypto Asset Reporting Framework and amendments to the Common Reporting Standard.

HMRC issued a consultation regarding the implementation of certain discretionary and optional elements of the Crypto Asset Reporting Framework (CARF) and amendments to the Common Reporting Standard (CRS), which have been agreed at an international level to ensure consistency and will come into force in 2026.

CARF addresses the exchange of information concerning cryptoasset users and the relevant tax authorities. The aim is to maximise transparency with standardised information and tackle non-compliance. Cryptoassets can be transferred and held without the interaction of traditional financial intermediaries or any central oversight; also, cryptoassets generally do not fall within the scope of existing information exchange framework. The G20 gave the Organisation for Economic Co-operation and Development (OECD) a mandate to develop CARF as a global framework, to provide for the automatic exchange of information for cryptoasset

transactions in a standard manner and within one regime.

Published by the OECD in 2014, and to which the UK was one of the first signatories, the CRS provides for the automatic exchange of information on financial accounts. The introduction of CARF sits alongside amendments to the CRS to ensure the tax transparency framework keeps up with the development of cryptoassets.

Another element of the consultation concerns domestic reporting, as neither CARF nor the existing CRS require crypto service providers to inform individual reportable users of what information has been reported to HMRC. Instead, HMRC relies on existing data-gathering powers to obtain the information they need from third parties. By making the UK a ‘reportable jurisdiction’ within CARF, HMRC would have access to increased amounts of information from financial institutions. A new penalty regime would enforce these new reporting obligations.

The CIOT supports any measure which assists with the exchange of relevant information needed to enforce tax compliance. However, the requirements should not be overly burdensome and there needs to be further clarification as to some of the definitions within CARF. More importantly, we are concerned that a lack of public awareness surrounding cryptoasset compliance and record-keeping at a fundamental level may undermine the effectiveness of CARF and an amended CRS.

Our full response can be found on our website here: www.tax.org.uk/ref1309.

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