

Cryptoassets - new consultation

Synopsis: HMRC's consultation on the UK implementation of the OECD Cryptoasset Reporting Framework and amendments to the Common Reporting Standard, seeking views on extension to domestic reporting.

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This [consultation](#) sets out the details of the rules announced by the Government in an [International Joint Statement](#) on 10 November 2023 and invites views on the UK's proposed implementation. It also seeks views on the potential benefits and drawbacks of extending the Cryptoasset Reporting Framework (CARF) / Common Reporting Standard (CRS2) international standards to require UK reporting entities to include information on UK residents.

OECD Automatic Exchange of Information (AEOI) agreements are a key method by which the UK tackles offshore tax evasion. The CARF and amendments to the CRS2 is the latest AEOI package that ensures we close gaps in existing transparency rules created by developments in fintech.

The CARF is a wholly new standard that addresses tax non-compliance using cryptoassets and CRS2 is an update to the existing framework on offshore accounts. Following public consultation at the OECD, the rules and commentary for the package has been agreed but the practical implementation is not prescribed in detail.

This consultation is set out in four main sections...

1. CARF – the Government is consulting on the UK implementation of the OECD CARF and the Government's approach to its optional elements. The CARF provides a new framework for automatic exchange of tax-relevant information on transactions in cryptoassets. This consultation outlines the UK's approach to implementing the CARF. The CARF will be added to the list of international arrangements for exchanging information at [s349 Finance \(No. 2\) Act 2023](#). This will give HM Treasury the power to make regulations to implement reporting obligations for the CARF. This consultation seeks views on the Government's proposals on optional or discretionary elements, not on the main rules or commentary. The consultation document should be read in conjunction with the [OECD CARE](#) itself.
2. CRS – the Government is consulting on the UK implementation of the OECD amendments to the CRS, which update the rules to include new types of assets and improve its operation. This consultation seeks views on optional elements in the UK's implementation of the amended CRS rules. It is also seeking views on two potential amendments to regulations: introducing a mandatory registration requirement for reporting Financial Institutions and reforming the penalty provisions.
3. Seeking views on domestic reporting – following on from the '[The Tax Administration Framework review – information and data](#)' consultation, the

4. Government is seeking views on the potential benefits and drawbacks of extending the CARF/CRS international standards to require UK reporting entities to include information on UK residents.

[The proposed CARF and existing CRS do not require reporting entities to provide information on UK resident taxpayers. Instead HMRC currently uses its data gathering powers in Schedule 23 of Finance Act 2011 to issue notices to certain UK financial institutions and cryptoasset service providers to obtain the relevant information. In particular, through Bank and Building Society Interest (BBSI) returns, HMRC requires UK banks and building societies to submit information annually about interest paid or credited to 'reportable persons' in the UK. The Government's consultation discussed moving to more standardised approaches to obtaining third party data and one approach tested was the use of a set schema. Overall, stakeholders were broadly supportive of the idea of implementing a schema to obtain third party data with some caveats, for example the need to have sufficient lead-in times. Some stakeholders also suggested that any implementation of a schema should be aligned with internationally used schema, for example CRS, and that proper consideration should be given to the financial and administrative burdens any new obligations would bring.]

5. Summary of the consultation questions.

The Government would like to hear from businesses; legal, accountancy and tax advisory firms; representative bodies and trade associations; academic institutions and think tanks, and any concerned stakeholders with an interest in the implementation of the CARF or CRS. In particular, Cryptoasset Service Providers and financial institutions who might be within scope of the rules should read this document.

This consultation closes at 11:59pm on 29 May 2024., after which the Government will consider the comments made by respondents and will publish a summary of responses. The Government will also consult on draft regulations before implementing the new rules.

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