Australian Government
The Treasury

Australia's implementation of the Crypto Asset Reporting Framework and amendments to the Common Reporting Standard

Consultation paper

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treasury.gov.au

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In the spirit of reconciliation, the Treasury acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples.

Contents

Consultation Process

Request for feedback and comments

This paper seeks views on options for Australia's implementation of the OECD-developed Crypto Asset Reporting Framework and amendments to the Common Reporting Standard. Interested parties are invited to comment on the implementation details. While submissions may be lodged electronically or by post, electronic lodgement is preferred.

All information (including name and address details) contained in formal submissions will be made available to the public on the Australian Treasury website, unless it is indicated that you would like all or part of your submission to remain confidential. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain confidential should provide this information marked in a separate document.

A request made under the *Freedom of Information Act 1982* for a submission marked 'confidential' to be made available will be determined in accordance with that Act.

Treasury will consult with stakeholders on the legislative materials, ahead of finalising legislation, in line with standard practice.

Closing date for submissions: 24 January 2025

Submissions can be lodged using the details below.

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The principles outlined in this paper have not received Government approval and are not yet law. As a consequence, this paper is merely a guide as to how the principles might operate.

Australia's implementation of the Crypto Asset Reporting Framework and related amendments to the Common Reporting Standard

This consultation paper seeks stakeholder views on options for Australia's approach to implementing the OECD-developed rules for the Crypto Asset Reporting Framework (CARF) and associated amendments to the Common Reporting Standard, or CRS[1]. This paper is informed by the OECD's 2023 publication and includes specific text extracts, where relevant. However, stakeholders are encouraged to read the full version of the OECD's report for detailed insights on the CARF requirements. For convenience, a link to the OECD's CARF report and OECD issued frequently asked questions, providing interpretative guidance on the CARF, are available alongside this paper on Treasury's consultation website.

The OECD CARF is a new tax transparency framework which provides an international standard for the automatic exchange of crypto related account information between revenue (tax) authorities. In general terms, crypto assets are a digital representation of value that an entity can transfer, store, or trade electronically – common examples include Bitcoin, investment tokens, and non-fungible tokens.

The OECD developed the CARF to address the rapid growth of the crypto asset market globally. The CARF is intended to be a global minimum standard in tax information exchange and builds on the existing CRS (outlined below), which enables participating tax authorities to exchange (traditional) financial account information on foreign tax residents, serving as a deterrent on tax evasion.

In this regard, the CARF preserves the gains in global tax transparency achieved under the CRS and is a key component of the *International Standards for Automatic Exchange of Information in Tax Matters* (a multilateral tax framework first endorsed in 2014 and implemented by Australia in 2015).

In November 2023, Australia joined with 47 jurisdictions signalling an intention to implement the CARF by 2027[2]. As noted in that announcement, the widespread, consistent and timely implementation of the CARF will improve the ability of jurisdictions to enforce tax compliance and clamp down on tax evasion. This will help to protect tax revenues by creating a fairer tax system. As at July 2024, 58 jurisdictions had since signalled their intention to implement the CARF by 2027[3].

Implementing the CARF would complement the Government's efforts to strengthen tax transparency. It would also ensure Australia contributes to the effective global implementation of the CARF and play our role in deterring tax evasion, via the exchange of crypto account information with other countries.

This consultation paper is intended to inform the Government's policy considerations on the CARF. The paper explores the following issues, with specific questions included to guide stakeholder input:

- The policy merits of transposing the OECD model into our domestic tax law (compared to a bespoke policy approach).
- Potential implementation considerations.

[1] OECD (2023), International Standards for Automatic Exchange of Information in Tax Matters: Crypto-Asset Reporting Framework and 2023 update to the Common Reporting Standard, https://doi.org/10.1787/896d79d1-en.

[2] OECD (2023), OECD Secretary-General media release, https://www.oecd.org/en/about/news/press-releases/2023/11/secretary-general-mathias-cormann-welcomes-pledge-by-48-countries-to-implement-global-tax-transparency-standard-for-crypto-assets.html.

[3] OECD (2024), Bringing Tax Transparency to Crypto-Assets – An Update: Global Forum Report to G20 Finance Ministers and Central Bank Governors, OECD Publishing, Paris, https://doi.org/10.1787/b33c9aa1-en.

- The timeline for implementation that would minimise compliance costs on the community.

Subject to Government decisions and priorities, future consultation will test exposure draft legislation and specific design issues (such as reporting formats to the ATO).

Implementing the CARF will also require amendments to the CRS, to ensure the CRS remains up to date. These amendments are consequential in nature and outlined on page 10.

Introduction

International tax transparency and exchange of tax information

The automatic exchange of tax related information between tax authorities is one method to address tax avoidance and ensure that all taxpayers pay the correct amount of tax. This typically involves jurisdictions signing up to a global standard to facilitate the sharing (and receiving) of information on accounts held by non-resident individuals and entities. The global standard ensures that information is exchanged in a standardised format, which assists tax authorities (and complying entities) to collect the information. It also recognises that the effectiveness of international exchange of information regimes are dependent on widespread, standardised adoption by jurisdictions.

In June 2013, the OECD released a 15-point Action Plan on Base Erosion and Profit Shifting as a roadmap for governments to address profit shifting behaviour – i.e. tax planning strategies that exploit differences in tax rules to avoid paying tax. The Action Plan was endorsed at the G20 Finance Ministers' meeting in July 2013 and established the OECD/G20 BEPS project.

The BEPS Action Plan included the Common Reporting Standard (CRS) which recognised that international cooperation and sharing of high-quality information between revenue authorities was vital to ensure compliance with local tax laws. In 2014, the CRS was endorsed by G20 Finance Ministers and Central Bank Governors as an international platform for automatic exchange of tax information between multiple countries. The CRS is the OECD version of the United States' unilateral information exchange mechanism (FATCA, or the Foreign Account Tax Compliance Act).

The CRS has since established a common international standard for the collection, reporting and exchange of financial account information on foreign tax residents. Under the CRS, banks and other financial institutions collect and report financial account information to the ATO who exchange that information with participating foreign tax authorities of those foreign tax residents. In return, Australia (via the ATO) receives financial account information on Australian residents from other countries' tax authorities[4]. Australia passed legislation implementing the CRS in 2016.

Developing the OECD CARF (outlining the problem)

In April 2021, the G20 mandated the OECD to develop a framework to provide for the automatic exchange of tax-relevant information on crypto assets. The OECD proceeded to develop a set of 'Model Rules' to extend automatic exchange of information frameworks to new intermediaries in the crypto asset sector. In August 2022, the OECD approved the CARF.

The momentum to establish the CARF was in response to the rapid growth of crypto asset markets across the globe, and the challenges it presents for governments when it comes to tax evasion and tax avoidance.

[4] ATO (2024), What is the Common Reporting Standard, https://www.ato.gov.au/about-ato/international-tax-agreements/in-detail/common-reporting-standard/what-is-the-common-reporting-standard

This reflects that crypto assets can be transferred and held without interacting with traditional financial intermediaries (such as banks) and without any central (tax) administrator having full visibility on the transactions carried out via crypto intermediaries, investor income derived from crypto assets, or the location of crypto asset holdings (such as assets held in offshore accounts).

This type of information asymmetry creates opportunities for tax non-compliance and offshore tax evasion, particularly as these transactions and investments are occurring increasingly beyond the remit of established exchange of information frameworks, as compared to more traditional financial products.

That is, crypto intermediaries can serve to aid asset transfers across borders, and as these platforms become more prominent (and relatively less transparent), there is an incentive for economic activity to shift away from traditional financial platforms to more opaque transaction platforms. This can facilitate the non-disclosure of income, leading to tax evasion.

The OECD's response to this policy problem is the CARF – the CARF addresses this gap in tax transparency by providing a new multilateral framework for the reporting of tax information on transactions in crypto assets.

As with the current CRS, the CARF would ensure crypto related information is reported in a standardised manner, with a view to automatically exchanging information between tax administrators. The CARF is intended to build on the success of the CRS, which has improved international tax transparency via the automatic exchange of financial account information[5].

The success of exchange of information frameworks are dependent on co-ordinated international action, to ensure the information exchanged is broad in scope and coverage. This underpinned the group of jurisdictions, including Australia, signalling an intent to implement the CARF by 2027.

Crypto assets in Australia

Since Bitcoin was introduced in 2009, the crypto asset industry in Australia has evolved to mainstream use, and now extends beyond Bitcoin exchanges to include many sophisticated service providers[6]. Cryptocurrencies are the most common form of crypto asset. It is estimated that 20 per cent of Australians currently own a cryptocurrency, and that 82 per cent of Australian crypto owners claimed to make a profit. The average reported cryptocurrency profit in the 2023 calendar year was $9,627[7].

Implementing the OECD CARF in Australia (why is government action needed)

The OECD CARF reflects that global financial markets are evolving and becoming increasingly digitalised, and that coordinated action is needed to ensure revenue (tax) authorities can retain visibility of income derived from crypto assets.

Implementing the CARF into Australia's domestic legislation would create the legal framework to oblige crypto asset intermediaries to collect and report user and transaction data to the ATO. Exchange of information (between tax administrators) on crypto assets would allow the ATO to access standardised data to identify tax non-compliance and ensure taxpayers are meeting their tax

[5] OECD (2024), Ibid.

[6] FinTech Australia (2022), Treasury crypto asset secondary service providers consultation submission paper, https://treasury.gov.au/sites/default/files/2022-12/c2022-259046-fintech_australia.pdf

[7] Swyftx (2024), 4th Annual Australian Crypto Survey, https://swyftx.com/wp-content/uploads/2024/09/swyftx-cryptocurrency-survey-2024.pdf

obligations for crypto asset income and assets. Exchange of information under the CARF would only take place with jurisdictions who have appropriate confidentiality and data safeguards[8].

The CARF would also ensure Australia continues to be a responsible jurisdiction in relation to combating tax evasion at the international level. Australia, along with many other countries, already shares information through automatic exchange, spontaneous exchange and exchange upon request facilitated through a network of tax treaties and tax information exchange agreements. Similarly, widespread implementation of the CARF would ensure a consistent and coordinated approach to the automatic exchange of information across participating jurisdictions regarding crypto assets.

Legislative interactions with the Common Reporting Standard

Reflecting the genesis of the CARF (and the evolving financial landscape), jurisdictions implementing the CARF would also be required to implement legislative amendments to the CRS, to ensure the CRS comprehensively covers transactions beyond the traditional financial sector (for which the CRS was initially developed) such as in the crypto asset market. For example, ensuring that indirect investments in crypto assets (such as through derivatives and investment vehicles) and certain electronic money products and central bank digital currencies are brought into scope of the CRS.

The OECD identified the need for associated CRS amendments as part of the OECD's review of the current standards, conducted in parallel to the development of the CARF.

Background

What is the Crypto Asset Reporting Framework (CARF)?

The CARF is a new tax transparency framework which provides for the automatic exchange of tax information on transactions in crypto assets, between tax authorities. In the Australian context, it will allow the ATO to exchange information with other participating countries, to the extent the information relates to a person who is a tax resident in that jurisdiction. In turn, the ATO will also receive information on Australian tax residents from those tax authorities. The CARF requires information to be reported in a standardised manner.

The CARF consists of three distinct components:

- CARF Model Rules (and related commentary developed by the OECD) that can be transposed into domestic law to collect information from reporting crypto asset service providers with a relevant nexus to Australia (as the jurisdiction implementing the CARF). The rules focus on the:
    - scope of crypto assets to be covered;
    - entities and individuals subject to data collection and reporting requirements;
    - transactions subject to reporting, as well as the information to be reported in respect of such transactions; and
    - due diligence procedures to identify crypto asset users and controlling persons and to determine relevant tax jurisdictions for reporting and exchange purposes.
- A Multilateral Competent Authority Agreement on Automatic Exchange of Information and related Commentary (or bilateral agreement/arrangement) to allow for the automatic exchange of information between participating jurisdictions); and

[8] OECD (2023),Ibid.

- An electronic format (XML Schema) to be used by tax administrators for purposes of exchanging the CARF information, as well as by reporting crypto asset service providers to report CARF information to tax administrations (as permitted by domestic law)[9].

The CARF would compel crypto intermediaries – for example, exchange platforms and wallet providers used for storing crypto assets – to report to tax authorities on certain crypto payment transfers, such as disposals (gross proceeds) and acquisitions (market value).

Under the OECD model, information reported under the CARF would be subject to de minimis thresholds, specifically:

- Values exceeding USD 50,000 or above would require specific customer data. The customer in this instance is identified as a user, and their details are exchanged.
- Transaction amounts less than USD 50,000 are still reported, but done so as a 'platform/merchant' payment – effectively treated as an aggregate figure (with no specific customer user data).

Australia's implementation approach: Options

The OECD's CARF provides for a multilateral framework, establishing a common international standard for the exchange of information on transactions in crypto assets. Amendments to Australia's tax legislation would be required to implement the CARF (along with legislative amendments to existing CRS rules, outlined further below).

This paper considers two options – under either option, Australia would need to enter into a Multilateral Competent Authority Agreement (MCAA) or a bilateral information exchange agreement to enable the automatic exchange of information between tax authorities.

The status quo option (no change) is not considered given that crypto use in Australia has become mainstream, and that the CARF is a global minimum standard developed to help deter tax evasion.

Option 1: adopt the OECD CARF Model

The OECD CARF Model Rules would be used as the basis for the enabling legislation within Australian law. This would adopt the same defined terms, concepts, due diligence procedures, de minimis thresholds, exclusions, and impose the same obligations on crypto intermediaries (reporting crypto asset service providers), as identified by the OECD.

This approach would have the benefits of:

- receiving information from other jurisdictions who have signed up to the OECD CARF model, assisting with tax compliance and enforcement.
- avoiding duplication and deviations from international norms, supporting efficient reporting (by entities) and information exchanges (by tax authorities).
- minimising compliance costs on some entities (e.g. if an in-scope entity has nexus with more than one jurisdiction).

Similar to how the CRS was implemented in 2016, under this option, Australia would reserve the right to make *some* adjustments to adapt the OECD model to fit within Australia's law (noting the above benefits are predicated on consistency with the OECD model).

[9] OECD (2024), Crypto-Asset Reporting Framework XML Schema: User Guide for Tax Administrations, OECD Publishing, Paris, https://doi.org/10.1787/578052ec-en.

Option 2: bespoke approach

Australia implements a bespoke set of rules. This would have the same policy intent as Option 1, with crypto asset service providers required to collect information on crypto asset transactions they facilitate, and report this data to the ATO to aid with its compliance activities. The information could be exchanged unilaterally with other jurisdictions where the taxpayer is resident, for use by those tax authorities, to ensure assets and income have been appropriately declared for tax purposes.

Under a bespoke approach, Australia could more specifically target the reporting obligations to those service providers in the crypto industry whose customers' information is seen as providing the most useful information to assist the ATO with its compliance activities. This could also include bespoke de minimis thresholds.

A bespoke regime could have the same reportable information as captured under the OECD CARF but could offer the flexibility to exclude or add certain fields of information and types of transactions captured. It could also prescribe bespoke timing and frequency of reporting to the ATO.

However, under this option many of the benefits of consistent reporting to minimise duplication and enable exchange globally would be lost and likely result in increased compliance costs for affected entities. The ATO may also receive less information compared to the OECD-developed CARF model, as bespoke regimes may not be considered compliant with the OECD standard.

Who is required to report under the CARF?

The CARF would apply to **Reporting Crypto Asset Service Providers.** The OECD defines (Section IV (B)) this term as:

- Any individual or entity that, as a business, provides a service effectuating Exchange Transactions for or, on behalf of customers, including by acting as a counterparty, or as an intermediary, to such Exchange Transactions, or by making available a trading platform.

The term "Exchange Transaction" is further defined to mean any exchange between:

- Relevant Crypto-Assets and Fiat Currencies; and
- One or more forms of Relevant Crypto-Assets (defined below).

A Reporting Crypto Asset Service Provider would therefore apply to crypto asset exchanges and wallet providers, brokers, dealers, and automated teller machine providers.

These types of entities (and individuals) are in scope given their central role in the crypto asset market in facilitating exchanges between Relevant Crypto-Assets, as well as between Relevant Crypto-Assets and Fiat Currencies.

Reporting Crypto Asset Service Providers (connection to Australia)

Under the OECD model, there would be five points of connection establishing a Reporting Crypto Asset Service Provider's nexus to Australia, thus subjecting them to the CARF rules.

These include if the provider is: (i) tax resident in, (ii) both incorporated in, or organised under the laws of, and have legal personality or are subject to tax reporting requirements in, (iii) managed from, (iv) having a regular place of business in, or (v) effectuating Relevant Transactions through a branch based in Australia.

The OECD's CARF model includes rules to avoid duplicative reporting where a Reporting Crypto Asset Service Provider may have nexus to more than one jurisdiction.

Reportable information under the CARF

The CARF will require reporting crypto asset service providers to report information about in-scope crypto assets and transactions to the ATO. These core definitions are outlined below to assist readers, noting the CARF related commentary has a complete set of defined terms and reporting requirements.

- Crypto-Assets (Section IV (A)) are defined as a digital representation of value that relies on a cryptographically secured distributed ledger or similar technology to validate and secure transactions. This includes assets transferred in a decentralised manner outside the traditional financial sector such as stablecoins, derivatives issued in the form of crypto assets and certain non-fungible tokens (NFTs). Blockchain is an example of distributed ledger technology.
- Relevant Crypto-Assets refers to all crypto assets that can be used for payment or investment purposes. It excludes crypto assets that pose limited risk to tax compliance (i.e. crypto assets which cannot be used for payment or investment purposes, Central Bank Digital Currencies, and Specified Electronic Money Products).
- Fiat Currency is the official currency of a jurisdiction, issued by a jurisdiction or by a jurisdiction's designated Central Bank or monetary authority, as represented by physical banknotes or coins or by money in different digital forms, including bank reserves and Central Bank Digital Currencies. The term also includes commercial bank money and electronic money products.
- Relevant transactions (Section IV(C)) refer to:
  - exchanges between relevant crypto assets and fiat currencies; and
  - exchanges between one or more forms of relevant crypto assets; and

  Reportable Retail Payment Transaction refers to transfers of relevant crypto assets for payment of goods or services above USD 50,000 (including where an intermediary processes payment on behalf of a merchant accepting crypto assets).
- Reporting requirements (Section II of CARF) specify the general information to be reported with respect to crypto asset users (and controlling persons), including jurisdiction(s) of residence, taxpayer identification number, information on the reporting crypto asset service provider (such as its name, address and any identifying number), and information on the relevant transactions (such as reportable relevant transactions and transfers to external wallet addresses).

Timing of reportable information under the CARF

The success of global exchange of information frameworks are dependent on co-ordinated international action. A collective group of jurisdictions, including Australia, have signalled an intent to implement the OECD's global tax transparency framework for the reporting and exchange of information with respect to crypto assets by 2027.

Once operational, reporting of CARF information by crypto asset intermediaries is proposed to occur on an annual basis relating to data collected over the previous year.

Subject to a final decision of Government, it is envisaged that CARF reporting requirements would commence from 2026, to ensure the first exchanges between the ATO and other tax authorities could take place by 2027. This timeframe would also be subject to future legislative priorities.

This timeframe is intended to provide adequate lead time for reporting crypto asset service providers and intermediaries to update their systems.

It is anticipated the ATO would also undertake public consultation on the CARF reporting format, such as the XML schema.

Due diligence requirements

Under the OECD CARF, the reported information must ensure the ATO has a reasonable level of assurance of:

- the crypto asset user's identity,
- the possible tax obligations that may arise from trading or accepting crypto assets as payment, where the user is a non-resident for exchange of information purposes with partner jurisdictions.

Reporting crypto asset service providers would therefore be subject to due diligence procedures which they must apply to identify their users (including controlling persons) and determine the relevant tax jurisdiction and beneficial owners of crypto assets held in certain entities.

The due diligence procedures (explained at Section III) may vary depending on whether the customer is an individual or an entity, but in general, would include:

- the collection of self-certifications from their customers as to their tax residency and their Tax Identification Numbers (TINs);
- Reasonableness checks that those self-certifications reconcile with other information the entity holds to ensure validity (for example checking against documentation obtained in relation to Anti-Money Laundering / Know Your Customer (AML/KYC) purposes); and
- Signing off on and submitting the data to the tax authorities.

Additionally, reporting entities will need to have regard for 'change of circumstances' requirements regarding crypto asset users. This imposes obligations on reporting entities to ensure the original 'self-certification' remains valid. That is, if a reporting crypto asset provider has reason to know that a self-certification is unreliable, incorrect, or incomplete, the reporting entity is required to undertake procedures to ensure the self-certification is updated.

In the case of pre-existing users, the CARF Model Rules stipulates that reporting crypto asset service providers must obtain a valid self--certification (and confirm its reasonableness) within 12 months after a jurisdiction introduces the CARF.

Questions

- What are the benefits to Australia of implementing the Crypto Asset Reporting Framework?
- Is there a preference between implementing the OECD-developed CARF or designing bespoke domestic rules?
- Should the CARF due diligence rules apply to Australian residents as well as foreign residents (i.e. reporting crypto asset service providers would need to provide information to the ATO on all their customers, making Australia a reportable jurisdiction, along with all other foreign jurisdictions)?
- Are the scope of definitions contained within the CARF Model Rules sufficiently clear within Australia's domestic context?
- Are there areas in Australia's tax law where existing terms and concepts should be leveraged for CARF purposes?
- Would additional guidance or clarification in Australia's domestic law be helpful? If so, what areas specifically would benefit from further guidance?
- What are the risks to Australia of failing to meet the OECD's agreed implementation timeframes?
- How could reporting entities be assisted to manage the intended implementation timeframes (commencing in 2026 to enable exchanges beginning from 1 January 2027)?

What is the Common Reporting Standard (CRS)

The CRS is the OECD endorsed global standard for the collection, reporting and exchange of financial account information on foreign tax residents. Under the CRS, banks and other financial institutions collect and report financial account information on foreign tax residents to the ATO. Australia exchanges this information with participating foreign tax authorities of those foreign tax residents.

Australia, as a signatory to the CRS, receives financial account information on Australian residents from other countries' tax authorities. This helps ensure that Australian residents with financial accounts in other countries are complying with Australian tax law. The exchange of financial account information acts as a deterrent to tax evasion.

The widespread implementation of automatic exchange of information on financial accounts has significantly improved tax transparency and supports tax enforcement in over 100 jurisdictions. Australia's CRS obligations are imposed on Australian financial institutions through the operation of Subdivision 396-C of Schedule 1 to the *Taxation Administration Act 1953* (TAA 1953).

The then Government announced on 20 September 2014 that Australia would commit to implementing the CRS. CRS legislation received royal assent in March 2016 coming into effect on 1 July 2017. First exchanges of information occurred in 2018.

Scope of the revised CRS

The OECD has expanded the CRS – as part of the CARF – to accommodate the emergence of new digital financial products. This includes updating the scope of the CRS to cover 'Specified Electronic Money Product' and 'Central Bank Digital Currency', and revising definitions within the CRS, for example, 'Financial Asset and Investment Entity', to ensure that derivatives that reference crypto assets and are held in Custodial Accounts and Investment Entities investing in crypto assets are covered by the CRS.

Additions to the CRS have also been made to limit duplication between the CRS and the CARF. New optional categories for Non-Reporting Financial Institutions have been introduced to those entities that are genuine non-profit organisations. A number of other technical amendments to address frequently asked questions and improve interpretation and usability have also been made.

Full details of the defined terms are referred in the CARF Model Rules (Part II Amendments to the Common Reporting Standard and related commentary).

Questions

- Are there any other issues that should be considered in implementing the CRS amendments?

Compliance costs

For Treasury to examine the compliance costs associated with implementing the CARF and amendments to the CRS, we are seeking detailed information on the likely costs to be incurred by business, over and above those costs already incurred by existing reporting requirements (such as CRS, FATCA, AML). These costs could be broken down into two components: implementation compliance costs and recurring compliance costs. This will assist with our impact analysis.

- Examples of implementation compliance costs could include: seeking professional legal advice, staff training/ education, internal compliance assurance and any system costs.
- Examples of recurring compliance costs could include: ongoing reporting of data to the ATO, ongoing staff training, ongoing system costs and maintenance, compliance assurance and any professional legal services obtained.

Questions

- What would be the implementation costs and what would be the ongoing costs?
- How could the compliance costs of implementing the CARF be minimised?
- Can you provide detailed information on the likely costs incurred by businesses in meeting the CARF reporting requirements?
- Are there different cohorts of businesses that are likely to be affected more heavily than others with the implementation of the CARF? If so, who are they, to what extent, and why?

Other considerations

Interactions with the European Commission's Directive on Administrative Cooperation (DAC8)

In October 2023, the European Commission adopted a directive to boost cooperation between national taxation authorities[10], focused on the reporting and automatic exchange of information on revenues from transactions in crypto assets and on advance tax rulings for the wealthiest (high-net-worth) individuals. This Directive is commonly referred to as DAC8.

The DAC8 reflects the European Commission's initiative to integrate both the CARF and the latest changes to the CRS into the EU's legal framework. The DAC8 closely follows the provisions of the OECD CARF, and includes the OECD's CRS amendments, however it does not incorporate the associated commentary material.

The DAC8 includes some additional features, such as requiring reporting entities to block a crypto asset user from engaging in an exchange transaction if the user has not provided the required information following the initial request by the reporting entity (after two reminders and within 60 days).

While the DAC8 is an example of a 'bespoke' regime that is largely consistent with the OECD CARF model, for Australia, there is likely to be efficiency benefits from adopting the CARF model directly, as this is based on the existing CRS framework which Australia has in place, and which industry is generally familiar with.

Questions

- To what extent will entities be impacted by DAC8 reporting requirements? What are the implications for entities reporting under both DAC8 and the CARF? How should Australia take these considerations into account for the domestic implementation of the CARF?

[10] Council of the EU (2023), Council adopts directive to boost cooperation between national taxation authorities (DAC8), https://www.consilium.europa.eu/en/press/press-releases/2023/10/17/council-adopts-directive-to-boost-cooperation-between-national-taxation-authorities-dac8/ (accessed 18 October 2024).

Attachment – Announcements by jurisdictions to progress the OECD-developed CARF (summary)

Jurisdiction	Detail
Brazil (2024 G20 host)	**August 2024 –** Announced plans to impose new tax compliance requirements for crypto exchanges, in line with the OECD CARF reforms (Cripto Conforme program).
Canada	**April 2024** (Budget) – Proposed implementing the CARF and CRS amendments to apply from the 2026 calendar year, with first reporting and exchanges in 2027.
New Zealand	**June 2024** – Issued a regulatory impact statement, informed by prior consultation. **August 2024** – Legislation introduced into the New Zealand Parliament. On passage, this Bill would implement the CARF and CRS 2.0, with effect from 1 April 2026.
South Africa	**October 2024** – Announced an intention to sign the CARF multilateral agreement in to enable international exchange information in respect of crypto assets.
Switzerland	**May 2024** – Initiated consultation on draft legislation to implement the CARF from 1 January 2026, (subject to parliamentary approval).
Thailand	**October 2024 –** Formal commitment to join the Multilateral Competent Authority Agreement on Automatic Exchange of Information pursuant to the CARF.
The Netherlands	**October 2024** – Commenced consultation on draft legislation to implement the EU's DAC8 on crypto assets (see below), schedule to take effect 1 January 2026.
United Kingdom	**May 2024** – Concluded consultation, released a summary of responses for the UKs proposed implementation. **October 2024** (Budget) – Will introduce legislation in Finance Bill 2024-25 providing the UK Treasury power to make the CARF regulations. HM Treasury will make these CARF regulations in 2025 in time for implementation on 1 January 2026.
United States	**October 2024 –** IRS and Treasury 2024-25 Priority Guidance Plan includes regulations to address the reporting by U.S. brokers of digital asset transactions of certain foreign persons in connection with the OECD's CARF.
European Union (DAC 8)	**October 2023** – DAC8 is a harmonised framework for the automatic exchange of information on crypto-assets within the EU. Member States have until 31 December 2025 to transpose DAC8 into their domestic law with the new provisions applying as of 1 January 2026.