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## THE INTRODUCTION OF A CRYPTO-ASSET REPORTING FRAMEWORK AND THE PROPOSED AMENDMENTS TO THE COMMON REPORTING STANDARD BY THE OECD

In the recent past, financial markets have seen the adoption of new technologies and products that have changed investment and payment practices. One of the most recent developments is cryptography, which has led to the creation of Crypto-Assets, an entirely new type of asset. Users are able to hold and transact with Crypto-Assets without interacting with traditional financial intermediaries and often without the visibility of tax administrators and other regulatory bodies.

Cryptocurrency is a digital currency that uses encryption techniques to generate, exchange, and transfer units of currency. Due to its nature, no bank or government authority is able to verify the transfer of funds as it is with bank transactions. Instead, these virtual transactions are recorded and stored in a decentralized distributed ledger database called a "blockchain."

Similar to Crypto-Assets, other new payment products such as digital money products, including Central Bank Digital Currencies now adopted by most jurisdictions are also providing electronic storage and payment functions similar to money held in a traditional bank account. These new products are, however, being offered by platforms that are not covered by the OECD Common Reporting Standard (CRS).

In a bid to be abreast of these developments, through a public consultation document dated 22 March 2022, the OECD has sought to modernise the tax transparency instruments available to tax administrations through developing a new global tax transparency framework. This new proposed framework dubbed the Crypto-Asset Reporting Framework (CARF) is intended to provide for the

real-time exchange of tax information on transactions in Crypto-Assets in a standardised manner.

Under the CARF, individuals and entities that provide Crypto-Asset exchange services will be required to apply due diligence procedures to identify their customers and report the aggregate values of such transactions by the respective customers on an annual basis. Below are the four types of relevant transactions reportable under the CARF:

- exchanges between Crypto-Assets and Fiat Currencies;
- exchanges between one or more forms of Crypto-Assets;
- reportable Retail Payment Transactions; and
- transfers of Crypto-Assets.

Additionally, together with CARF, the OECD has also proposed a set of amendments to the CRS, to bring to scope the new financial assets, products and intermediaries. The proposals will align the CRS with the CARF to ensure there is an efficient interaction between the two.

Through the public consultation document, the OECD has invited interested parties to send in their comments on the various proposals by 29 April 2022.

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