

# The Crypto-Asset Reporting Framework

## General Overview

The UAE currently engages in the automatic exchange of information with competent authorities in other jurisdictions through established global tax transparency initiatives, namely the Foreign Account Tax Compliance Act (“FATCA”) and the Common Reporting Standard (“CRS”). Building on these frameworks, the OECD has developed the CARF to extend global tax transparency standards to crypto-asset activities.

**Crypto-assets** are digital representations of value that rely on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions. Examples include Bitcoin, investment tokens and non-fungible tokens. These assets can often be held and transferred without reliance on traditional financial intermediaries and without the oversight of a central administrator, which means the current reporting regimes may be less effective in capturing them.

The CARF is intended to bridge this gap. It provides an international standard for the automatic exchange of crypto-asset related information between tax authorities and is part of the global standards in the exchange of information for tax purposes.

In November 2024, the UAE became one of 61 jurisdictions to commit to implementing the CARF, with the UAE undertaking to commence exchanges of relevant information by 2028 with respect to calendar year 2027.

## Crypto in the UAE

As part of its efforts to develop an efficient, inclusive and robust financial services sector, the UAE has made efforts to develop a business-friendly environment for the virtual asset sector and support entities in the sector.

In line with this goal, it has developed a regulatory framework in which, pursuant to Cabinet Resolution No. 111 of 2022, the Securities and Commodities Authority (“SCA”) has been designated as the primary federal authority responsible for supervising and regulating virtual asset activities across the UAE, including in Free Zones, but excluding Financial Free Zones and activities falling under the remit of other federal or local authorities, e.g. the Central Bank of the UAE (“CBUAE”) or the Virtual Assets Regulatory Authority (“VARA”).

SCA is responsible for supervising virtual assets used for investment purposes, including security and commodity tokens. The regulation of virtual assets used as means of payment falls within the jurisdiction of CBUAE under its Retail Payment Services and Card Schemes Regulation, the Stored Value Facilities Regulation, and most recently, the Payment Token Services Regulation in cases where fiat value is stored and used for payment purposes.

The regulatory authorities of the Financial Free Zones (i.e., ADGM and DIFC) regulate virtual assets within their respective jurisdictions. In the Emirate of Dubai (excluding DIFC), VARA – established under Dubai Law No. 4 of 2022 and delegated SCA’s powers in the Emirate of Dubai pursuant to Cabinet Resolution No. 112 of 2022 – is responsible for regulating and overseeing all virtual asset activities, including those involving investment purposes and, where applicable, the use of virtual assets in payment-related transactions not falling within the remit of CBUAE.

## *1. An introduction to the CARF*

The CARF is a newly established tax transparency framework that facilitates the automatic exchange of tax information on crypto-asset transactions between jurisdictions. The primary purpose of the CARF is to provide revenue authorities globally, with access to standardised information. It is a global framework and therefore consistent rules will be implemented across all partner jurisdictions, i.e., broadly, a single reporting regime will be followed across all implementing jurisdictions.

These rules have been developed by the OECD and have the following distinct components:

- (a) The 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 the UAE. The Rules set out the following:
  - the scope of crypto-assets subject to reporting;
  - the entities and individuals subject to data collection and reporting requirements;
  - the type of transactions subject to reporting, as well as the information to be reported in respect of such transactions; and
  - the due diligence procedures to identify crypto-asset users and controlling persons and to determine the relevant tax jurisdictions for reporting and exchange purposes.
- (b) The CARF MCAA and XML Schema:
  - A MCAA on Automatic Exchange of Information and related Commentary (or bilateral agreement/arrangement) to allow for the automatic exchange of information between participating jurisdictions); and
  - An electronic format (XML Schema) to be used for purposes of exchanging the CARF information, as well as by reporting crypto-asset service providers to report CARF information.

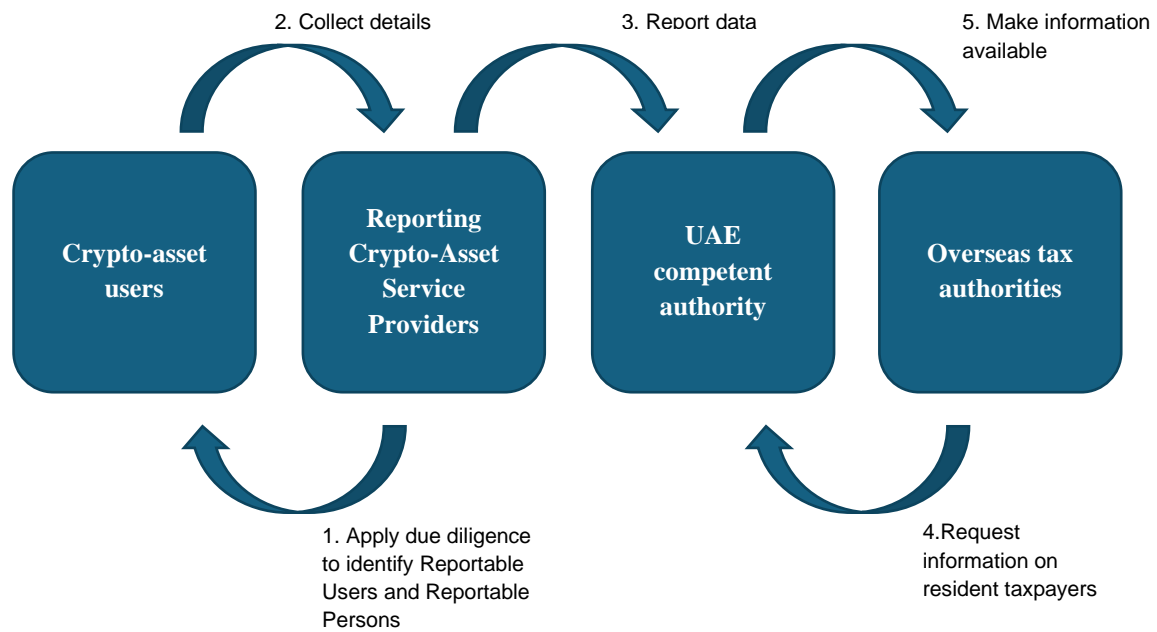
The CARF would compel crypto intermediaries – for example, exchange platforms and wallet providers used for storing crypto-assets – to report on certain crypto payment transfers, such as disposals and acquisitions.

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

- Values exceeding USD 50,000 would require specific customer data. The customer in this instance is identified as a crypto-asset user and their details are exchanged as well.
- For transactions below this threshold, the customer is not reported. Instead, the transaction is treated as a transfer under the Rules, and only the recipient (e.g., the merchant) is reported as a crypto-asset user.

## How the CARF Works

The following diagram provides a high-level overview of how the CARF operates:



## 2. Scope

The key definitions relevant to the application of the CARF are set out in Section 4 of the Rules.

**"Crypto-Asset"** is defined as a digital representation of value that relies on a cryptographically secured distributed ledger or similar technology to validate and secure transactions.

Only **"Relevant Crypto-Assets"** are reportable under the CARF. This refers to any crypto-asset that is not any of the following:

- a Central Bank Digital Currency;
- a Specified Electronic Money Product; or
- any crypto-asset for which the Reporting Crypto-Asset Service Provider has adequately determined that it cannot be used for payment or investment purposes.

**"Exchange Transactions"** are any

- exchange between Relevant Crypto-Assets and Fiat Currencies; and
- exchange between one or more forms of Relevant Crypto-Assets.

**Reporting Crypto-Asset Service Providers** ("RCASPs") are 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.

A **"Reportable User"** is defined in Section 4 of the Rules. It is a 'Crypto-asset User', an individual or entity that is a customer of an RCASP, that is resident for tax purposes in a 'Reportable Jurisdiction', subject to certain exclusions listed in that section. RCASPs must carry out due diligence to determine where a user is resident for tax purposes. A 'Reportable Jurisdiction' within the Rules means any jurisdiction with which an agreement or arrangement is in effect pursuant to which the UAE is obligated to provide the information under the CARF, and which is identified as such in a list published by the UAE.

In addition to those definitions, [Section 1 of the Rules](#) defines a **"relevant nexus"** where a provider is:

- tax resident in; or
- both incorporated in, or organised under the laws of, and have legal personality or are subject to tax reporting requirements in; or
- managed from; or
- having a regular place of business in; or
- effectuating Relevant Transactions through a branch based in jurisdiction adopting the rules.

While the scope of the CARF's implementation in the UAE will generally follow the OECD definitions and distinct components summarised above, there may be optional and discretionary areas where the UAE may choose to expand or provide further guidance on how the definitions may apply in the UAE. A summary of these areas and specific matters where stakeholder input is welcomed, is set out in a series of questions.

## 3. Reporting Requirements

An RCASP is subject to the reporting and due diligence requirements under the CARF in a jurisdiction if it is tied to that jurisdiction through either:

1. Tax residency; or
2. Place of incorporation if accompanied by either legal personality in that jurisdiction or tax reporting requirements; or
3. Management from that jurisdiction; or
4. A regular place of business in that jurisdiction; or
5. Effectuating transactions through a branch in that jurisdiction.

In order to address the potential for an RCASP to have such a tie to more than one jurisdiction, the CARF contains a hierarchy of nexus rules to determine where the reporting obligations sit in these circumstances. These are set out in Section 1 of the Rules.

The reporting requirements are set out in Section 2 of the Rules. This includes a requirement to provide the following information with respect to their crypto-asset users that are Reportable Users or that have controlling persons that are Reportable Persons:

- The name, address, jurisdiction(s) of residence, tax identification number(s) , and date and place of birth (in the case of an individual) of each reportable user.
- The name, address, and identifying number of the RCASP.
- For each type of relevant crypto-asset, its full name, the aggregate gross amount paid and/or received, the number of units, and the number of relevant transactions.

RCASPs will need to establish procedures and systems to collect and report information to the Competent Authority in accordance with the CARF requirements. These systems must ensure that the necessary information is accurately gathered and reported. RCASPs will also need to familiarise themselves with the reporting mechanisms and requirements implemented in the UAE to enable successful submissions.

It is proposed that the annual reporting deadline be aligned with the CRS deadline, which falls on June 30 of the year following the relevant calendar year.

#### *4. Due Diligence Procedures*

RCASPs must obtain and confirm the reasonableness of valid self-certifications which require details relating to the crypto-asset user, including but not limited to, their legal name and jurisdiction(s) of their tax residence and tax identification numbers ("TINs").

An RCASP is considered to have confirmed the reasonableness of a self-certification if, in the course of establishing a relationship with the crypto-asset user and upon review of the information obtained in connection with the establishment of the relationship (including any documentation collected pursuant to AML/KYC procedures), it does not know or have reason to know that the self-certification is incorrect or unreliable.

For the purposes of determining the controlling persons of an entity crypto-asset user, an RCASP may rely on information collected and maintained pursuant to AML/KYC procedures, provided that such procedures are consistent with the [2012 FATF Recommendations](#) (as updated in June 2019 and June 2021 pertaining to virtual asset service providers).

This is set out in Section 3 of the Rules and the relevant Commentary.

#### *5. Compliance and Enforcement*

To ensure the effective implementation of the CARF, the UAE will have strong measures in place to address instances of non-compliance by RCASPs and reportable users.

As per Cabinet Resolution 93 of 2021, the UAE's CRS regime applies a series of penalties for administrative violations. These include:

- Penalties of AED 20,000 for inaccurate or incorrect information in self-certification where the person submitting the self-certification should have known the information was inaccurate or incorrect
- Penalties of AED 50,000 for a Reporting Financial Institution that fails to submit the Report on Reportable Account Information to the relevant Regulatory Authority in accordance with the form, manner and on the date specified by the Competent Authority

- Penalties of AED 250,000 for a Reporting Financial Institution that violates relevant provisions with an intent to circumvent the CRS regulations.

Additionally, Reporting Financial Institutions that violate the relevant provisions may have their licences suspended or withdrawn by the relevant regulatory authority.

The government is committed to ensuring that businesses are given certainty on the scope of the UAE's implementation in sufficient time to prepare. We encourage the widest possible range of stakeholders to give their views through this consultation process.