Digital Assets: From Crypto to Compliance

Crypto-Asset Reporting Framework and Amended Common Reporting Standard Updates

By Lani Chou, Cyrus Daftary, Phil Garlett, Peter Grant (KPMG UK), Nelson Suit, Josh Tompkins, and David Wren (KPMG UK)

> The Organisation for Economic Co-operation and Development (OECD) has published new Crypto-Asset Reporting Framework (CARF) and amended the Common Reporting Standard (CRS) XML Schemas accompanied by User Guides that will support the transmission of information between tax authorities pursuant to each regime. This article reviews these new details in conjunction with the IRS Draft Form 1099-DA, Digital Asset Proceeds from Broker Transactions.

CARF XML Schema vs. Draft 2025 form 1099-DA

On October 2, 2024, the OECD published IT format for transmitting information with concurrent interpretive guidance and its first set of frequently asked questions (FAQs). The new CARF and amended CRS XML Schemas and User Guides will support the transmission of information between tax authorities pursuant to each regime which will begin in 2027, for reporting of 2026 calendar year information.

CARF XML Schema vs. Draft 2025 form 1099-DA

Below is a table that explains the reporting required for 2026.

CARF XML Schema	Draft 2025 Form 1099 DA
Message Header. Identifies sender, recipient, message type, reporting period	Required in part for electronic filing, which has not been established yet
Details of the Crypto-Asset Service Provider (CASP)	Corresponding boxes for filer information
Details of crypto users	Corresponding boxes for recipient information
Identity. Name, address, User ID, taxpayer identification number (TIN), TIN type, tax residence, birth information (individuals) details and type of Controlling Persons (for certain entities).	Corresponding boxes for recipient TIN and Account Number. *No corresponding boxes for TIN type, tax residence, birth information, and controlling persons. Possibly included in forthcoming guidance to implement the CARF. Unclear whether this will be on Form 1042-S or an XML Schema.*
Transaction. Details of each Crypto-Asset using a Digital Token Identifier where available.	Box 1a Code for digital asset. Requires Digital Token Identifier where available or "999999999"
Crypto to Crypto In Crypto to Crypto Out Crypto to Fiat In Crypto to Fiat Out	No corresponding boxes for staking, wrapping, collateral, and lending yet.
Crypto Transfer In Crypto Transfer Out	Box 12a and b Number of units transferred in and date
Transfer Wallet – where Crypto-Assets are transferred to a wallet address not recognized by the CASP Reportable Retail Payment Transactions	*No corresponding boxes for transfer out, transfer wallet, or reportable retail payment transactions.*

Notes on the CARF Schema from our KPMG UK Counterparts

Points of note within the schema include:

- The schema contains specific fields for use in the European Union (EU), particularly reflecting the changes into the EU Directive (DAC8) that align it to Markets in Crypto-Assets Regulations, which set out the regulatory framework for CASPs operating in the EU.

- The schema also contains specific fields that could be used to support domestic implementation of CARF (i.e., reporting on tax residents of the reporting jurisdiction) alongside the international tax residents.

- The schema includes a 'default' TIN where the TIN is not known – 'NOTIN'. Although this a small change from the original CRS Schema, a consistent approach will fix a painful problem under the CRS Schema for global organizations.

- Certain transaction types are included for crypto-to-fiat and crypto-to-crypto transactions to clarify the scope of the underlying transaction. These include staking, wrapping, collateral and lending.

- A requirement to a valuation methodology for reporting transactions which include - Book value, Third-party value, Recent RCASP valuation and Reasonable estimate by RCASP.

- The CARF Schema does not include some of the new elements which are being added to the CRS, that require reporting for accounts without a self-certification, or an indication of whether an account is new or pre-existing to the start of the rules. Given that the OECD has added these elements to the CRS Schema after 10 years' experience on information exchanges, the non-inclusion in the CARF Schema comes as a surprise.

Notes on the Amended CRS XML Schema User Guide for Tax Administration form our KPMG UK Counterparts

The CRS XML Schema contains updates to the existing reporting requirements that apply to CRS reporting today, adding in new data elements which are required by the updated CRS package issued alongside CARF.

The CRS Schema is largely as expected, although it is also of note that many existing fields have amended requirements applying to the content or validation of the field value.

Amongst the expected changes, there are additions to allow reporting of:

- Whether an account holder has provided a valid self-certification

- Whether an account holder is a pre-existing or new account, by reference to the Effective date of CRS in the relevant jurisdiction

- The type of account held – depository, custodial, cash value insurance or annuity or debt/equity interest in an investment entity

- Whether an account is a joint account and the number of joint account holders

- Confirmation of the requirements for reporting Controlling Person type

KPMG reporting clients will receive additional information on the scope of the changes and potential impacts to reporting in the near future.

Further Considerations

The CARF and CRS XML files and accompanying User Guides provide a number of data elements that overlap but vary slight with the Form 1099-DA required details. clarifications on items that brokers have been considering. Brokers reporting in all three regimes will have to maintain this data holistically and in such a way that it can pull reports to meet the requirements of each regime.

As a practical matter, brokers will need to consider reporting requirements and where systems may need to collect new data from new sources, such as the DTI registry for the Form 1099-DA and CARF XML Schema. This coupled with coordinating the terms defined in the final broker reporting regulations and the terms defined in CARF may be a bit of an exercise for some organizations. Determining the titles of these data elements in order to apply them to different reporting requirements may require some contemplation.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Learn about us: in **kpmg.com**