

KPMG AEOI Updates & Tracking Service

CARF Alert



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United Kingdom: Issued Guidance on Crypto-Asset Reporting Framework

On 05 November 2025, His Majesty's Revenue and Customs (HMRC) of the United Kingdom updated its International Exchange of Information Manual (IEIM) to include a new section IEIM800001, Cryptoasset Reporting Framework (CARF). The guidance outlines the obligations for UK-based Reporting Crypto-Asset Service Providers (RCASPs) under the CARF (scheduled to take effect on 01 January 2026).

The UK CARF guidance is closely aligned with the OECD CARF, with limited UK-specific changes. Structured similarly to the AEOI guidance, the new manual outlines the regulatory framework, defines the scope of RCASPs, sets out nexus rules, and outlines due diligence, reporting and compliance requirements as well as the penalty framework.

The new CARF guidance comprises of seven main sections as follows:

- **Background (IEIM8000020 - IEIM8000060):**

This section provides an overview of CARF, its legislative basis under the Reporting Cryptoasset Service Providers (Due Diligence and Reporting Requirements) Regulations 2025 (see [here](#)), commencement from 1 January 2026, alignment with the OECD CARF and updated CRS standards, and HMRC's role in administration, and international data exchanges.

- **What is an RCASP (IEIM800100):**

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This section explains the activities that bring businesses within scope and clarifies the treatment of exchange transactions, intermediaries, and trading platforms.

Key subsections:

- **Section IEIM8000110:** Defines RCASPs and confirms the rules apply to both individuals and entities operating as a business. The scope includes exchanges, intermediaries, brokers, dealers, relevant cryptoasset ATMs operators, and certain entities and individuals involved in decentralized exchanges or Decentralized Finance (DeFi) arrangements.
- **Section IEIM8000140:** Clarifies what constitutes an intermediary or counterparty in exchange transactions (e.g., brokers executing orders, dealers buying and selling cryptoassets, and cryptoasset ATM operators). Exclusions include investment funds investing in cryptoassets and entities solely validating distributed ledger transactions.

— What is a Relevant Crypto Asset (IEIM8000200)

Defines what qualifies as a “relevant cryptoasset” for CARF and outlines inclusion and exclusion tests, including the payment or investment purpose test. The guidance also explains the treatment of Non-Fungible Tokens (NFTs), stablecoins, and closed-loop tokens based on their functionality and trading activity.

Key Subsections include:

- **Section IEIM8000220:** Defines crypto assets as digital representations of value that relies on a cryptographically secured distributed ledger or similar technology to validate and secure transactions.
- **Section IEIM8000270:** Clarifies the treatment of assets not classified as central bank digital currency (CBDC) or specified electronic money product (SEMP). RCASPs may rely on FATF classifications, but where no FATF classification exists, RCASPs must assess whether the asset can be used for payment or investment purposes, in cases of doubt, the asset should be treated as relevant and reported.

— Nexus rules (IEIM8000300)

This section explains how RCASPs determine whether they have a UK reporting nexus, including a cascading hierarchy of criteria to prevent duplicative reporting.

Key Subsections:

- **Section IEIM8000320:** Outlines four conditions under which an RCASP has a UK reporting nexus:

- Tax resident of the UK;
- Incorporated, organized, or has legal personality under UK law;
- Managed in the UK; or
- Maintains a regular place of business or branch in the UK.
- **Section IEIM8000350:** Clarifies that a Section I(H) election does not impact the obligation for UK RCASPs to report UK tax resident cryptoasset users to HMRC. In cases where a dual nexus of equal standing exists, UK RCASPs must still report required information to HMRC regarding the UK resident users.

- **Due Diligence guidance (IEIM8000400)**

This section outlines the obligations for UK CASPs under CARF to identify reportable persons and maintain compliance through robust due diligence processes. RCASPs must collect and validate self-certificates from all individual and entity cryptoasset users and, where applicable, controlling persons. The guidance covers key elements such as required information in self-certifications, validation and reasonableness checks, monitoring changes of circumstances, and timelines for obtaining documentation. It also addresses reliance on third parties, use of existing certifications, and penalties for non-compliance.

Key subsection:

- **Section IEIM8000475:** Outlines the consequences of failing to obtain a valid self-certificate, including transaction restrictions for new users, deadlines for pre-existing users (31 December 2026), and potential penalties. It also clarifies options for third-party reliance and the conditions under which alternative certifications may be used.

- **Reporting Requirements (IEIM8000500)**

This section provides the reporting obligations for UK RCASPs under CARF. RCASPs must submit data annually to HMRC using the OECD CARF XML Schema (see [here](#)), covering user details and aggregated transaction data by relevant cryptoasset and transaction type. The guidance explains what constitutes a “relevant transaction,” valuation requirements, and reporting for acquisitions and disposals against fiat currencies, exchanges between cryptoassets, reportable retail payment transactions, and transfers to or by users. It also includes reporting rules for wrapping and liquid staking, collateral, and transfers to external wallet addresses,

as well as requirements for retaining certain data for five years.

— **Compliance and Penalties (IEIM8000600)**

This section provides an overview of the penalty regime under the Reporting Cryptoasset Service Providers (Due Diligence and Reporting Requirements) Regulations 2025 for failures to meet CARF obligations. Penalties may apply for:

- Failure to complete diligence or obtain self-certifications
- Late, inaccurate, or incomplete reporting; and
- Failure to maintain records or notify users.
- Failure to provide information to HMRC or register with HMRC

It also addresses rules on penalty duplication, reasonable excuse provisions, assessment and payment of penalties, time limits for assessments, and appeal procedures.

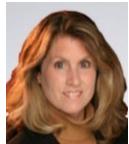
Reference: [Guidance on CARF](#).

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