

## Article Information

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## CARF before the horse? Australia consults on crypto tax reporting standards

**The Australian government has released a consultation paper on how to best implement the [Crypto-Asset Reporting Framework \(CARF\)](#), a global standard developed by the [Organisation for Economic Co-operation and Development \(OECD\)](#). CARF is intended to enhance tax transparency by facilitating the automatic exchange of information about crypto-asset transactions between jurisdictions.**

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[The consultation paper published by Treasury states that CARF's implementation in Australia](#) will require amendments to domestic tax laws to adhere to international standards. The government has proposed two options for implementing CARF in Australia which are outlined below, along with the types of entities and information that will be subject to reporting requirements.

### What is CARF?

CARF is designed to deter tax evasion by ensuring the transparent reporting of crypto-asset transactions. In Australia, it would enable the Australian Taxation Office (ATO) to exchange data with other jurisdictions on transactions by Australian residents. The framework covers:

- **Crypto-assets:** digital assets using cryptographic security and distributed ledger technology, including bitcoin, ether, stablecoins, derivatives, and certain NFTs.
- **Relevant transactions:** crypto-to-crypto transactions as well as crypto-to-fiat or fiat-to-crypto.
- **Reporting entities:** crypto-asset service providers facilitating transactions.

The CARF mandates the reporting of customer-specific details for transactions exceeding USD \$50,000, while smaller transactions are reported in aggregate without identifying individuals.

### Implementation options

#### Option 1: Adopt the OECD CARF Model

Under this option, Australia would adopt the CARF Model Rules as developed by the OECD, making only minor adjustments to integrate them into domestic law. Key features include:

- **Alignment with global standards:** ensuring consistency with international norms to support efficient reporting and information exchange.
- **Comprehensive reporting obligations:** crypto-asset service providers report user data, transaction details, and controlling persons.
- **De minimis thresholds:** Customer-specific reporting applies only to transactions exceeding USD 50,000; smaller transactions are reported in aggregate.
- **Benefits:**
  - Facilitates global data exchange for improved tax compliance.
  - Reduces duplication and compliance costs for entities operating in multiple jurisdictions.

#### Option 2: Develop a Bespoke CARF Framework

Alternatively, Australia could create its own reporting framework tailored to the specific needs of the ATO. This approach would still align with the policy goals of CARF but would allow for greater flexibility:

- **Custom thresholds and scope:**Australia could adjust reporting thresholds, exclude certain information fields, or specify additional requirements.
- **Selective targeting:**Focus on entities and transactions providing the most value for tax compliance efforts.
- **Drawbacks:**
  - Potential misalignment with global CARF standards.
  - Higher compliance costs for entities with cross-jurisdictional operations.
  - Reduced data-sharing efficiency with other jurisdictions.

## Entities and reporting obligations

CARF applies to 'Reporting Crypto-Asset Service Providers', which currently include crypto exchanges, wallet providers, brokers, dealers, and ATM providers facilitating exchanges between crypto-assets and fiat currencies or between crypto-assets.

To be regulated under Australia's model, entities must have a 'nexus' to Australia according to one of various tax concepts being tax residency, Australia being its place of incorporation, central management and control, or a regular place of business (e.g., a permanent establishment). Reporting requirements include:

- **User and transaction data:**Details on crypto users, taxpayer identification numbers, jurisdictions of residence, and reportable transactions.
- **Transaction types:**Exchanges involving relevant crypto-assets, payments for goods/services over USD 50,000, and transfers to external wallets.
- **Provider details:**Information about the reporting service provider, including name, address, and identifying numbers.

## Consultation period

The government's consultation period for CARF implementation is open from **21 November 2024** to **24 January 2025**. Industry participants, market stakeholders, and interested individuals are invited to share their perspectives on how the framework should be implemented Downunder.

It would be remiss to understate the importance of clarity, efficiency, and consistency in CARF implementation. Industry members would prefer an approach that minimises compliance costs, particularly for smaller crypto service providers, and ensures that the rules align closely with the global OECD standard to avoid duplicative reporting obligations across jurisdictions.

Common CARF concerns include data security and confidentiality, especially given the sensitive nature of personal and transactional information being collected and shared under the CARF and across jurisdictions. Ensuring robust data protection mechanisms will be of paramount importance to maintaining trust and compliance within the crypto ecosystem.

It may also be practical to seek de minimis thresholds, streamlined reporting processes, and flexibility in reporting deadlines to accommodate the dynamic and fast-moving blockchain ecosystem. Many will also urge the government to avoid overly burdensome requirements that could stifle innovation or drive businesses offshore.

## Conclusion

Curiously, the push for CARF implementation comes before any significant reforms to Australia's broader crypto tax regime and regulatory reform more generally - a case of putting the CARF before the horse, perhaps. This raises questions about the order of regulatory priorities, as market participants will need to navigate new reporting obligations within an already complex tax landscape. There may also be a need to revisit CARF implementation again in future.

The adoption of CARF in Australia aims to align with global efforts in combating tax evasion in the crypto-asset space. By contributing to the consultation, participants can help ensure the resulting legislation supports global tax compliance whilst fostering growth, innovation and participation in the Australian crypto industry.