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Crypto-Asset Reporting Framework: Key Elements of the CARF/DAC8 Schema

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On 2 October 2024, the OECD published the schema for the Crypto-Asset Reporting Framework (CARF).

Introduction

This schema establishes a standardised approach for the annual reporting of digital asset transactions and will be adopted under DAC8, which takes effect on 1 January 2026. Both regimes require crypto-asset service providers to document, validate, and report a range of information about their clients.

DAC8 serves as the EU counterpart to CARF, aiming to track digital asset transactions involving EU clients, both domestically and across borders. While DAC8 is broadly aligned with CARF, a key difference is its extraterritorial scope, covering certain transactions facilitated by non-EU intermediaries.

In the following sections, we will outline the key elements of the CARF/DAC8 XML schema, focusing on its structure, the role of reporting entities, and the specific transactional data that must be reported.

CARF and DAC8 Reporting

The main sections of a CARF or DAC8 annual report provide information on the following:

1. Reporting Crypto-Asset Service Providers (RCASP)

The Reporting Crypto-Asset Service Provider (RCASP), which can be either an individual or an entity. The RCASP is required to report their name, address, jurisdiction of tax residence, and tax ID. Also required is the reporting of its strongest nexus to the reporting jurisdiction, which can be one of seven values:

- Jurisdiction of tax residence,

- Jurisdiction under which laws it was incorporated,

- Jurisdiction where it is managed from,

- Jurisdiction where it has a regular place of business,

- Jurisdiction where it maintains a branch,

- EU Member State where it is authorised under the "Markets in Crypto Assets Regulation" (MiCAR), or

- EU Member State where it is registered but not authorised under MiCAR.

The last two nexus options are specific to DAC8 and do not apply to CARF.

2. RCASP's Crypto Users

The **RCASP's Crypto Users**, which include both individuals and entities, as well as the **reportable controlling person**s of certain entities. The required information includes the name, address, jurisdiction(s) of tax residence, and tax ID(s).

For individuals, birth date must be reported, and for controlling persons of entity crypto users, their role in the entity must be reported as well (e.g., owner, senior managing official, settlor, trustee, protector, beneficiary, or other means of control).

3. Relevant Transactions

The Relevant Transactions, detailing the reportable crypto-asset transactions conducted by users. For these transactions, the data to be reported includes:

- The name of the Relevant Crypto-Asset (RCA),

- The number of units (up to six decimal places) of the RCA transacted,

- The net-of-fees fair market value of the transaction.

Alternative valuation methods are allowed and must be specified as one of the following: book value, third-party value, recent RCASP valuation, or reasonable estimate by the RCASP.

Additionally, these transactions are reported in **specific categories**, listed below:

- Crypto to Crypto In: Acquisitions of the RCA using other RCAs.

- Crypto to Crypto Out: Disposals of the RCA in exchange for other RCAs.

- Crypto to Fiat In: Acquisitions of the RCA using fiat currency.

- Crypto to Fiat Out: Disposals of the RCA in exchange for fiat currency.

- Crypto Transfer In: Inbound transfers of the RCA.

- Crypto Transfer Out: Outbound transfers of the RCA.

- Transfer Wallet: Transfers of the RCA by the crypto-user to wallet addresses not known by the RCASP to be associated with a virtual asset provider or financial institution.

- Reportable Retail Payment Transactions (RRPT): Transfers of an RCA in consideration of goods or services valued at more than USD 50,000.

For crypto exchanges (i.e., Crypto to Crypto or Crypto to Fiat), the RCASP may optionally specify the type of transaction, such as: Staking, Crypto loan, Wrapping, or Collateral.

For crypto transfers, however, reporting the type of transaction is mandatory, with the following options:

- Airdrop,

- Staking income,

- Mining income,

- Crypto loan,

- Transfer from or to another RCASP,

- Collateral,

- Purchase or sale of goods or services (other than those reported as RRPT purchases),

- Other,

- Unknown, where the RCASP has no knowledge of the transfer type.

Next steps

DAC8 must be transposed into local law by each EU Member State by 31 December 2025. While some variations may arise in how each jurisdiction adopts the schema, it is generally expected to be applied uniformly across the EU.

In addition to the crypto-asset reporting schema, RCASPs that also operate in e-money may need to file additional returns under the Common Reporting Standard (CRS). Both CARF and DAC8 include amendments to CRS, such as classifying e-money and digital asset operators as Financial Institutions, with e-money accounts reportable under CRS.

How can Grant Thornton help?

We can assist financial institutions in implementing effective processes to ensure compliance with the new requirements as follows:

- Process health checks: Evaluating gaps between current practices and future compliance needs.

- Training and awareness: Offering targeted training on CARF, DAC8, and CRS amendments.

- Governance and procedures: Establishing clear policies to manage the new reporting requirements.

- Ongoing compliance management: Providing ongoing support to ensure adherence to the new rules.

- Data health checks: Ensuring data accuracy and readiness for the new reporting format.

- Reporting and filing: Assisting with the correct submission of CARF/DAC8 reports under the new schema.