



Global legislative update
Blockchain and digital asset
information reporting

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Meet your speakers



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Agenda

- **Overview of legislative activities**
- **Blockchain and digital asset ecosystem**
- **US Infrastructure Bill**
- **OECD CARF proposal and CRS amendments**
- **How can your organization prepare?**
- **Q&A**

Information Reporting for crypto is here

Stakeholders will be seeking an understanding of impact to your business models

Increasing regulatory attention to reporting on crypto has been developing

There has been a **dramatic increase** and **sustained focus** on tax transparency requirements globally

November 2021: The **US** enacts law amended sections of the Internal Revenue code to explicitly include digital assets for US reporting and Transfer Statement purposes.

22 March 2022: **OECD** published public consultation document outlining a framework for reporting and exchange of information on digital asset activity

28 March 2022: **US Treasury** Department released revenue proposals and explanations in the fiscal year 2023 "Greenbook." The proposals included would effectively bring digital assets into the scope of FATCA reporting



US Infrastructure Bill, Treasury Greenbook and CARF/CRS include digital asset reporting

Tax information reporting of digital assets

Infrastructure Bill: Broker Reporting

Cost basis reporting required by “Brokers” for all digital asset sales and transfers between brokers & non-broker. Also includes reporting for businesses accepting more than \$10,000 in digital assets as payment.

Green Book: FATCA Expansion

Financial Institution reporting of gross proceeds and other financial information on digital asset sales and transfers by account holders and, for passive entities, their substantial foreign owners. Also includes taxpayer disclosure of non-US holdings of digital assets.

OECD: CARF & CRS Amendments

Reporting obligations for Reporting Crypto-Asset Service Providers, including demographic information on users and, where applicable, their controlling persons and transaction information. Includes CRS amendments to cover digital asset investments and accounts.

Effective Dates

Broker sale and transfer reporting:

Transactions as of 1 Jan. 2023

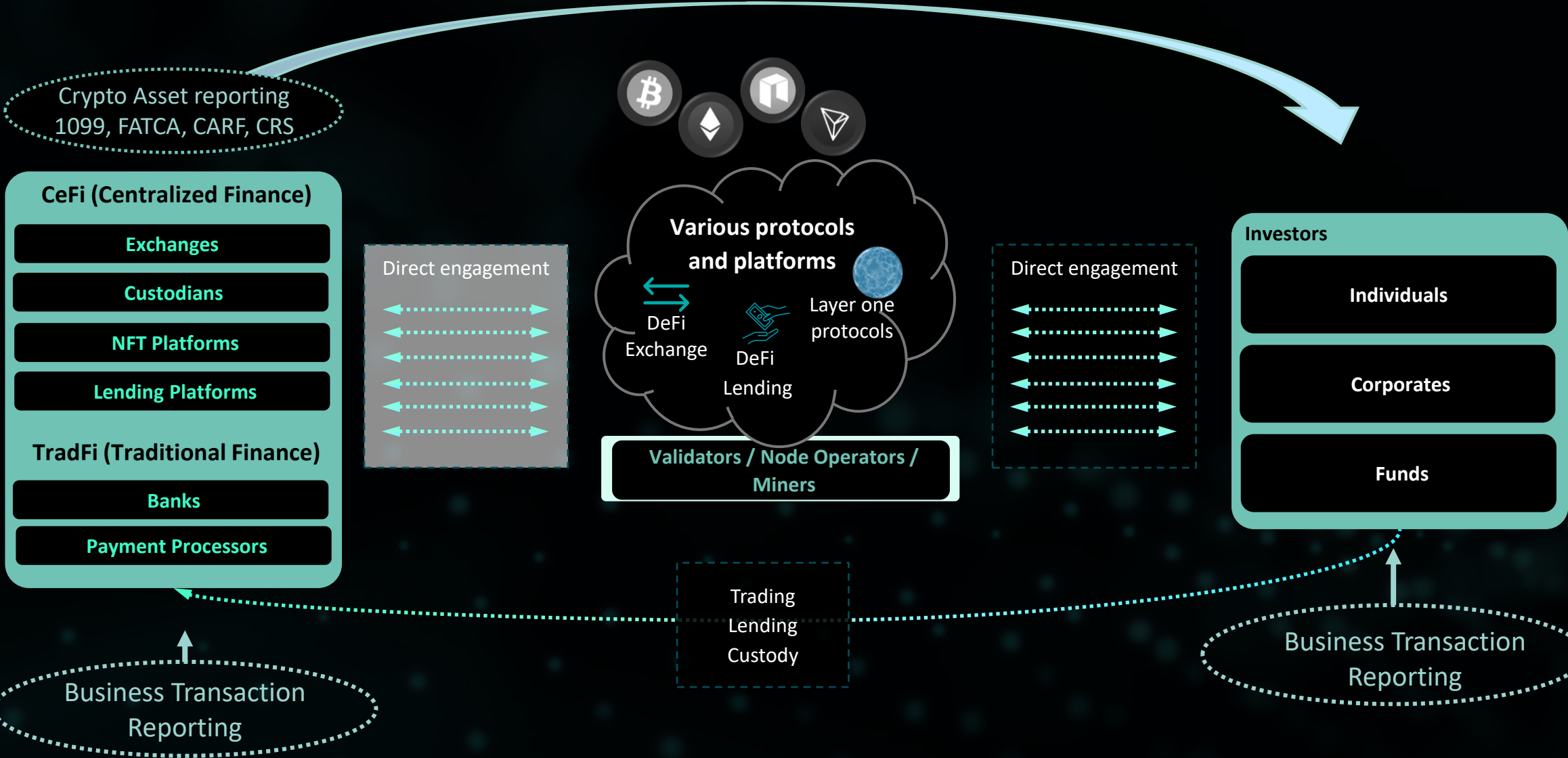
Business payment reporting: Transactions as of 1 Jan. 2024

Greenbook: Financial Institution reporting of digital asset in 2024 on 2023 sales and transfers Taxpayer disclosure of non-US holdings of digital assets after 31 Dec. 2022

CARF/CRS: Effective Date dependent on jurisdiction adoption into local law

Blockchain and Digital Asset Ecosystem

Potential applicability of rules and proposals



US Infrastructure Bill: Digital Asset Broker and Business Reporting

- “Broker”: persons effectuating exchange of digital assets for consideration
- “Digital Assets”: digital representation of value
 - Inclusion as “Specified Security,” requiring cost basis reporting
 - Transfer statement obligations, including reporting on transfers
- Businesses accepting payments of digital assets exceeding \$10,000
- Effective Dates
 - Broker 1099 reporting in 2024 on tax year 2023 activity
 - Business reporting for transactions after 31 Dec. 2023.

US Treasury Green Book – Digital Asset Provisions

US Financial Institution reporting of non-US account holder

- Account balances
- Non-US source income payments
- Gross proceeds from sale or redemption of property
- Information regarding passive entities and their substantial foreign owners
- Digital asset sales and transfers

Form 8938: US person disclosure of foreign digital asset account balances

Section 1058: digital asset loan nonrecognition treatment

Section 475: mark-to-market election on actively traded digital assets

“The Greenbook”

In the US Administration’s Fiscal Year 2023 Budget, Treasury proposes several reforms that would enhance revenues, improve tax administration and make the tax system more equitable and efficient.

This is referred to as the Treasury “Greenbook.” It is not proposed or enacted law.

Crypto-Asset Reporting Framework (CARF) proposal

- Crypto-Asset: Digital representations of value
 - Reporting excludes Central Bank Digital Currencies and Closed-Loop Crypto-Assets
- Reporting Crypto-Asset Service Provider: Business effectuating Exchange Transactions
 - For customer as counterparty, intermediary, or by making available a trading platform
- Reporting of user information and transactions
 - Exchange Transactions
 - Reportable Retail Payment Transactions
 - Other Transfers, including external wallet addresses
- Due diligence obligations
 - Includes expiration of self-certifications

The OECD Published a public consultation document on 22 March 2022. The document 1) outlines a framework for reporting and information exchange on digital asset transfers, 2) provides guidance for reporting of e-money and CBDCs under CRS, and 3) proposes other CRS amendments.

The public comment period closes 29 April 2022, and the OECD will publish final guidance for adoption by participating jurisdictions.

Common Reporting Standard amendment proposals

- Increased scope
 - Reporting of e-money products
 - Reporting of Central Bank Digital Currencies
 - Inclusion of crypto-asset investments as financial assets
 - Inclusion of e-money deposits
- Coordination with CARF to avoid duplicative reporting
- General reporting updates
- Due diligence updates

How can your organization prepare?

- A. Evaluate products and services within your current operations
- B. Update current customer onboarding processes including AML/KYC
- C. Review current customer information on file
- D. Consider mechanisms tracking of cost basis, including specific identification methods
- E. Monitor issuance of further guidance



Preparedness

What actions to take

Invest now to be ready to address new reporting requirements

Consider impact to customer, cost of compliance, and regulator reviews

Onboarding and documentation

- Ex. distinguish payees by tax residency
- AML/KYC impact
- Controlling person information
- US backup withholding

Enhance digital recordkeeping

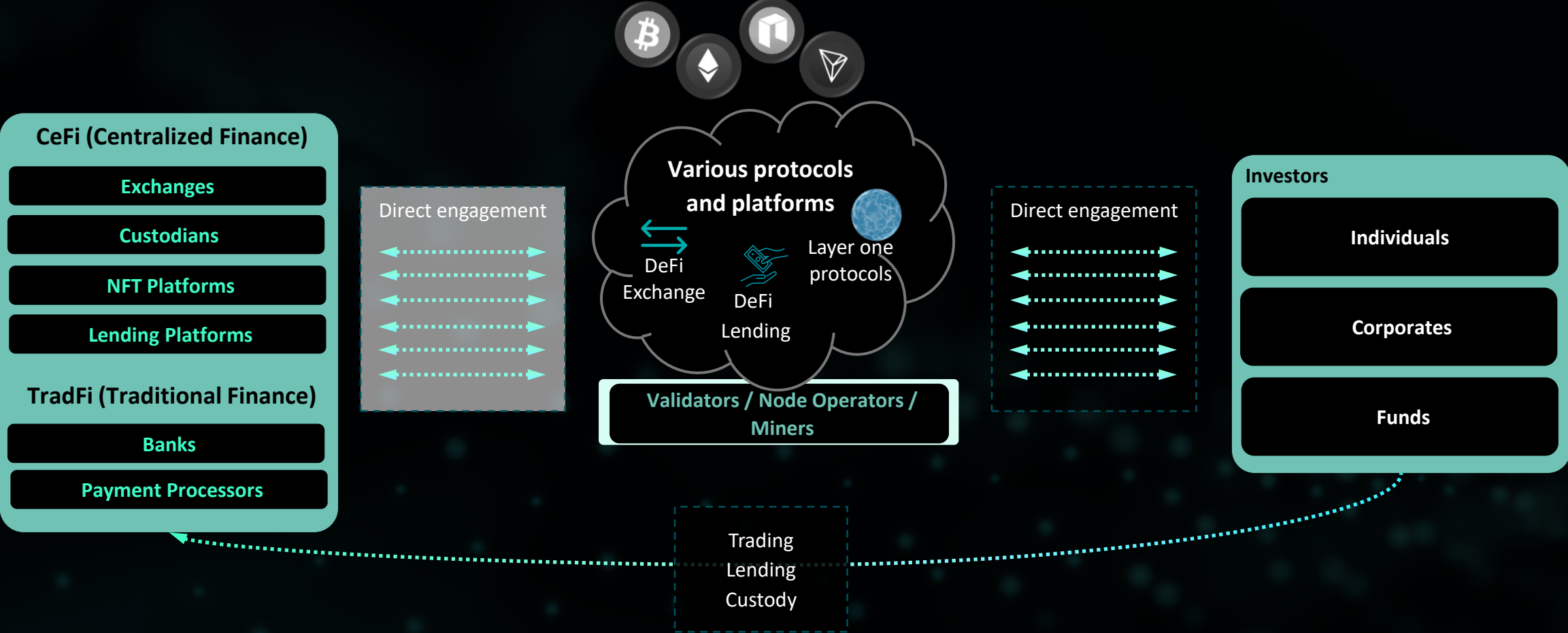
- Tax basis
- Transaction-level account records

Deloitte insight:

- Best practice is for documentation to be collected at account opening.
- Digitizing data, processes, and controls can enhance an organization's compliance capabilities and the ultimate customer experience
- Detailed audit trails captured via technology-enabled workflow can help manage disputes & inquiries from regulators efficiently and timely



Blockchain and Digital Asset Ecosystem



Questions?

Presenters

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Rob Massey has 20 years of professional experience in tax consulting for technology companies including search, SaaS, and gaming with a deep understanding of blockchain, cryptocurrency, and tokenization. He serves companies throughout the blockchain ecosystem inclusive of miners, specialty chip design and manufacturing, payment processing, wallet hosting, exchanges, exchange-traded funds, hedge funds, tokenization, and protocol development. Rob leads Deloitte's blockchain efforts in tax for the global firm.

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Peter is a principal in Deloitte's GIR practice specializing in US tax information reporting compliance and capabilities (1099s, 1042-S, FATCA, CRS, FBAR, W-2G) through regulatory analysis, process advisory, outsourcing, ASC 450 analysis, and remediation while focusing on customer considerations, risk management, and operational efficiency. Peter also represents clients in tax controversies before the IRS and other tax authorities for a variety of matters.

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Jason is a partner in London and leads our UK AEOI practice as part of our Financial Services Tax practice. He specializes in information reporting and withholding for large multinational banks, private equity houses and Fund Managers/Administrators. Jason has more than 15 years of experience as a tax specialist and has led some of the largest AEOI programs globally. Jason is a globally recognized subject matter expert in AEOI and advises a wide range of clients on operational taxes from pure advisory through to large-scale technology transformation programs.

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Silvia is a senior manager in Deloitte’s Global Information Reporting (GIR) practice with over 7 years of experience and has participated in numerous automatic exchange of information (“AEOI”) implementation projects for global financial institutions, including developing policies and procedures, and has extensive experience in developing and executing specialized training on FATCA, Chapter 3 and 61 rules. She has also extensive experience in managing AEOI advisory, compliance and reporting engagements for financial institutions in multiple jurisdictions. In addition, Silvia manages the AEOI knowledge management program for the GIR practice, which tracks and analyses AEOI regulations—including FATCA and Common Reporting Standards- in over 100 jurisdictions. Silvia is a licensed Attorney in New York, California, and Spain. And is bilingual in Spanish and English.

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Jonathan is a senior manager in Deloitte’s Washington National Tax practice. He is an information reporting and withholding specialist advising banking, brokerage, private equity, ecommerce and fintech industry leaders on strategic compliance in areas including the developing space of digital assets.



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