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**Committee of Experts on International  
Cooperation in Tax Matters  
Twenty-eighth session**

New York, 19-22 March 2024

Item 3(j) of the provisional agenda

**Taxation of crypto-assets**

**Report from the ad hoc group**

***Summary***

Since the Twenty-sixth Session, an ad hoc group on the taxation of crypto-assets has been developing a draft Toolkit with the primary objective to assist countries to accurately identify the risks in their domestic tax systems from crypto-assets.

The Toolkit is structured around three main categories of crypto tax risks: (1) crypto reporting and tax crimes; (2) crypto losses and deductions; and (3) crypto functional substitutes risks, with the first two risks covered in this current draft. The draft includes an introductory section, a section that serves as a guide on how to use the Toolkit, followed by questionnaires and commentaries designed for the identification and assessment of crypto tax risks, which should be read in conjunction.

The ad hoc group is hereby providing a short progress report on the work undertaken since the Twenty-seventh Session and is *presenting for first consideration the first parts of the Toolkit as contained in the Appendix.*

## Background Information

1. At the Twenty-third Session of the Committee of Experts on International Cooperation in Tax Matters (the Committee), the Secretariat presented a paper on taxation issues related to crypto-assets ([E/C.18/2021/CRP.29](#)) noting the relevance of this topic for developing countries. The Committee decided that a more detailed paper on the issues and challenges faced by tax administrations, especially those from developing countries, regarding the taxation of crypto-assets should be prepared outlining potential courses of action.
2. At the Twenty-sixth Session, the Secretariat presented a paper ([E/C.18/2023/CRP.9](#)) including an [appended report](#). The report analyzed the risks and challenges that crypto-assets pose for tax systems, with a special focus on developing countries. The report suggested two possible paths for the Committee's consideration to commence work: a Toolkit for the Evaluation and Mitigation of Tax Risks or a Model Guidance to be used by the tax authorities. The Committee decided to form an ad hoc group consisting of five Committee members to collaborate with the Secretariat to suggest how to take the work on crypto-assets forward and to propose a workplan by the Twenty-seventh Session at the latest.
3. The ad hoc group opted to develop a Toolkit to evaluate crypto-assets tax risk and presented a report ([E/C.18/2023/CRP.28](#)) at the Twenty-seventh Session containing an outline of the proposed Toolkit. Furthermore, the ad hoc group proposed that an initial part of the Toolkit would be presented for first consideration at the Twenty-eighth Session and the subsequent part at the Twenty-ninth Session, with the goal of having the two parts reviewed and approved at the Twenty-ninth and Thirtieth Sessions, respectively. The Committee approved the suggested approach and timeline of the ad hoc group.
4. Following the Twenty-seventh Session, the ad hoc group conducted three virtual meetings on 13 November 2023, 5 January and 9 February 2024, to progress on the development of the Toolkit and continue fulfilling its mandate as established by the Committee. In accordance with the proposed timeline and taking into account the constructive feedback and guidance provided by the Committee and observers, the ad hoc group is presenting the first part of the Toolkit. This initial part addresses two of the three main tax risks that crypto-assets pose to tax systems. This document is attached as an annex to this report and is presented for first consideration of the Committee.
5. As part of the Toolkit's focus on crypto reporting, the ad hoc group liaised with the Subcommittee on Increasing Tax Transparency. The work of the ad hoc group was identified as complementary, offering a valuable diagnostic tool for countries to better understand and mitigate the tax risks associated with crypto-assets.

## Proposed first part of the Toolkit for the Evaluation of Crypto Tax Risks

6. The appended document contains the first part of the Toolkit, addressing two of the three main risks presented in the outline presented in the Twenty-seventh Session, namely: (a) crypto reporting and tax crimes; and (b) crypto losses and deductions. The document contains the following sections:

- *The Snapshot* seeks to, in a short and concise way, answer the questions (1) what are crypto-assets; (2) why did the UN Tax Committee develop this Toolkit; and (3) how should the Toolkit be used and who is it addressed to.
- *The Introduction* serves as introduction of the Toolkit and highlights that the Toolkit is designed to aid users by providing them a practical, structured framework for the identification and assessment of crypto tax risks;
- *The Guide on How To Use this Toolkit* comprises three key components: (1) a step-by-step overview about how users should use the Toolkit, (2) the "Map of Crypto Tax Risks," which breaks down the three main categories of crypto tax risks into more specific ones in order to systematically identify them, and (3) a detailed worked example that illustrates how to apply the Toolkit and offers insights into its approach and structure.
- *The Questionnaires* are structured around the identified crypto tax risks with each risk having its own separate questionnaire. For this first part of the Toolkit, only questions related to crypto reporting and tax crimes and crypto losses and deductions are presented. Users can choose to go through all of the questionnaires in a single exercise or complete particular questionnaires for the individual risks that they wish to assess. Some sub-risks share similar issues and thus, there may be 'Preliminary Questions' that apply to a group of sub-risks. Users completing the questionnaires for individual risks may be guided to answer some of these 'Preliminary Questions' before going on to complete the particular questionnaire for their selected risks. It is also highlighted that users should initially review the questionnaires to familiarize themselves with the questions, but they should consult the corresponding commentaries for comprehensive insights before beginning.
- *The Commentaries* are structured to complement the questionnaires and give background information, including the rationale behind each question, and, subsequently, presents best practices. This section is intended to be read in conjunction with the questionnaires in order to ensure a thorough understanding and practical application of the content. Decision Sought by the Committee

7. The purpose of this report by the ad hoc group is to seek feedback from the Committee on the attached draft of the first part of the Toolkit, with the view to submitting it for second reading and approval during the Twenty-ninth Session of the Committee.

### **Sustainable Development Goals**

8. At its Twenty-third Session, the Committee agreed to discuss taxation and the Sustainable Development Goals (SDGs) as a reoccurring topic during its sessions. It also agreed that Subcommittees should reflect on the links between their work and the SDGs. The work on the taxation of crypto-assets is especially relevant in this regard as the ad hoc group provides guidance that can aid countries in safeguarding tax revenues and, in light of rising adoption rates of crypto-assets, future-proof their tax systems.