



# Committee of Experts on International Cooperation in Tax Matters

29th Session, Geneva, 15-18 October 2024

## Taxation of crypto-assets

Report from the ad hoc group

# Background

## At the 26th Session:

- A report was presented analyzing the risks and challenges that crypto-assets pose for tax systems, specially in developing countries.
- An ad hoc group consisting of five Committee members (Alexander, Ashfaq, Liselott, Nana & Rasmi) was formed to take the work forward.

## At the 27th Session:

- The ad hoc group proposed to work on a **Toolkit to evaluate tax risks from crypto-assets** and presented an outline and a work plan.
- The ad hoc group proposed to present an initial part of the Toolkit for first consideration at the 28<sup>th</sup> Session and the subsequent part at the 29<sup>th</sup> Session, with the goal of having the two parts reviewed and approved at the 29<sup>th</sup> and 30<sup>th</sup> Sessions, respectively.
- The Committee approved the approach suggested and the timeline.

## At the 28th Session:

- The ad hoc group presented the initial part of the Toolkit for first consideration, focusing on 'crypto reporting and tax crimes' and 'crypto losses and deductions'.

# The Toolkit for the Evaluation of Crypto Tax Risks

The toolkit is envisioned to provide a practical, structured framework for the identification and assessment of crypto tax risks.

It 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.

The level of risk is assessed through the use of *questionnaires*. A *Commentary* section provides additional context on each part of the Toolkit.

# First part of the Toolkit proposed by the ad hoc group

The ad hoc group presents for approval of the Committee the first part of the Toolkit.

It is structured around the following risk categories:

(a) crypto reporting and tax crimes

(b) crypto losses and deductions

# First part of the Toolkit: content

## The *Snapshot*

- Seeks to answer (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*

- Highlights the aim of the Toolkit 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 (1) a step-by-step overview, (2) the "Map of Crypto Tax Risks," which breaks down the three main categories of crypto tax risks, and (3) a detailed worked example that illustrates the application of the Toolkit.

## The *Questionnaires*

- Structured to address each crypto tax risks separately. Users can choose to go through all of the questionnaires or focus on a particular risk, but should consult the corresponding commentary before beginning.

## The *Commentaries*

- Complement the questionnaires and give background information, including the rationale behind each question.

# Key improvements since last Session

Changes to the first part of the Toolkit were made based on feedback received during the 28th Session.

Improvements include:

Language in some sections of the Commentaries has been adjusted for better understanding (e.g., commentaries on crypto-related losses).

The relevance and appropriateness of existing international standards in crypto-assets reporting have been clarified.

# Second part of the Toolkit proposed by the ad hoc group

The ad hoc group presents for first consideration of the Committee the second part of the Toolkit

It is structured around the following risk category:

## **Crypto functional substitutes risks**

i.e.: where crypto transactions act as 'functional substitutes' for traditional transactions but because tax laws weren't drafted with crypto-assets in mind, there are opportunities for tax arbitrage

# Second part of the Toolkit: content

## The *Questionnaires*

- Structured specifically around 'crypto functional substitutes risks'. Users can choose to go through all the questionnaires in a single exercise or complete particular questionnaires for the individual risks that they wish to assess.

## The *Commentaries*

- Complement the questionnaires and give background information, including the rationale behind each question. This section is intended to be read in conjunction with the questionnaire in order to ensure a thorough understanding and practical application of the content.



# Issues in front of the Committee

The ad hoc group is hereby presenting the first part of the Toolkit for *approval* of the Committee.

The second part of the Toolkit is being presented for *first consideration* of the Committee.

The ad hoc group aims to take the feedback received into account and **present an improved draft of the second part for approval at the 30<sup>th</sup> Session.**

# Thank you