

Distr.: General  
26 September 2024

Original: English

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

Geneva, 15-18 October 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. It 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.

In line with the timeline mandated by the Committee, the ad hoc group hereby provides a progress report on the work undertaken since the Twenty-eighth Session and (1) seeks approval for the section addressing the first two crypto-tax risks –crypto reporting and tax crimes, as well as crypto losses and deductions (pp. 6 – 69), and (2) presents for first consideration the section covering the third crypto tax risk –crypto functional substitutes risks (pp. 70 – 124 of 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. At the Twenty-eighth Session, the ad hoc group presented the initial part of the Toolkit for first consideration, focusing on crypto reporting and tax crimes, as well as crypto losses and deductions. The Committee noted the Toolkit's practical approach and provided helpful feedback.

## Sustainable Development Goals

5. 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.

## Progress Report

6. Following the Twenty-eighth Session, the ad hoc group conducted one virtual meeting on 26 August 2024, to progress on the development of the Toolkit and continue fulfilling its mandate as established by the Committee. In accordance with the agreed timeline and taking into account the feedback and guidance provided by the Committee and observers, the ad hoc group is now: **(1) presenting for approval the initially presented sections (crypto reporting and tax crimes, as well as crypto losses and deductions, contained in pages 6 to 69 of the Appendix) and (2) submitting**

*the section on crypto functional substitutes risks for first consideration*, contained in pages 70 to 124 of the Appendix.

### **First part of the ‘Toolkit for the Evaluation of Crypto Tax Risks’ for approval**

7. The appended document contains, on pages 6 to 69, the first part of the Toolkit, addressing: (1) crypto reporting and tax crimes; and (2) crypto losses and deductions. This first part of the Toolkit is presented to the Committee for final approval and 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 latter section has been expanded compared to the previous version.
  - *The Introduction* serves as an introduction to 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; namely, crypto reporting and tax crimes and crypto losses and deductions. Users can choose to go through all of the questionnaires in a single exercise or to complete particular questionnaires for the individual risks that they wish to assess at a particular time. 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.
  - *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.

### **Second part of the ‘Toolkit for the Evaluation of Crypto Tax Risks’ for first consideration**

8. The appended document contains, at pages 70 to 124, the second part of the Toolkit, addressing 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).
9. This part is presented to the Committee for first consideration and contains the following sections:
  - *The Questionnaires* are structured around the identified crypto tax risk, namely, crypto functional substitutes risks. 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.

- *The Commentaries* are structured to complement the questionnaire 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.

### **Actions sought from the Committee**

10. *The ad hoc group is hereby providing a short progress report on the work undertaken since the Twenty-eighth Session and is (1) presenting for approval the part of the Toolkit addressing the first two crypto-tax risks (crypto reporting and tax crimes as well as crypto losses and deductions, pp. 6 – 69 in the Appendix) and (2) submitting for first consideration the part of the Toolkit covering the third crypto tax risk (crypto functional substitutes risks, pp. 70 – 124 in the Appendix).*