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KPMG report: Tax information reporting on crypto-assets

Tax authorities are increasingly focused on enforcement of tax rules relating to crypto-assets.

For example, legislation in the United States (*Infrastructure Investment and Jobs Act* (November 2021)) authorizes the U.S. Treasury Department to issue regulations requiring brokers to report on the sale and other transfers of digital assets—including cryptocurrency—much in the way they are currently required to report on the sale of stocks and securities. In addition, receipts of digital assets in excess of \$10,000 by persons engaged in a trade or business would generally also be subject to reporting. The provisions are generally effective for returns filed after December 31, 2023. Read [TaxNewsFlash](#)

In brief, the crypto-related tax information reporting changes include the following:

- **Broker definition expanded.** U.S. broker tax reporting rules are amended to define a broker as including “...any person who (for consideration) is responsible for regularly providing any service effectuating transfers of digital assets on behalf of another person.” This is a relatively broad definition of broker, and industry participants are hoping that guidance from the U.S. Treasury would refine the scope of the definition.
- **Digital assets in scope.** The tax reporting provisions also include digital assets in the mix of assets subject to reporting. Digital assets are defined as “any digital representation of value that is recorded on a cryptographically secured distributed ledger or any similar technology as specified by the Secretary.” This definition includes common cryptocurrencies, but could have broader application to other (and newly developed) digital assets such as non-fungible tokens (NFTs).
- **Covered securities.** Digital assets are treated as “covered securities” if acquired on or after January 1, 2023. Covered securities under U.S. broker tax reporting rules are subject to cost basis reporting by the broker. Thus, brokers will need to monitor a customer’s tax cost with respect to a holding of a crypto-asset and determine the gain or loss on disposition (beginning in 2023 even though the information returns for calendar year 2023 are filed in 2024).
- **Transfer reporting.** The tax provision that currently governs the production of transfer statements when stocks and securities are transferred between brokers will cover transfers of digital assets. These requirements may apply when a customer transfers a crypto-asset from an account at one exchange to another. In addition, transfer reporting will also be required for transfers of digital assets to an account or

address not maintained by another broker—for example, transfers to private wallets. This provision is also effective beginning in 2024.

- **Receipt of digital assets.** Finally, digital assets are also to be treated as “cash” for purposes of the statutory requirement for businesses to report receipts of cash in excess of \$10,000. The provision applies to any person engaged in a trade or business and who, in the course of such trade or business, receives more than \$10,000 in digital assets in one transaction or two or more related transactions. There is, however, an exception for certain financial institutions already subject to similar currency transaction reporting rules. This reporting change is effective as of January 1, 2024.

KPMG observation

The rationale for these new information reporting requirements is to provide tax authorities with visibility over taxpayer crypto-transactions, but the provisions may also allow taxpayers greater access to tax-relevant data, as brokers would generally also be required to furnish account holders with a recipient statement on reportable trades.

Similarly, the Organisation for Economic Co-operation and Development (OECD) in 2020 published a report on global tax rules for crypto-assets and is expected to provide guidance on how the automatic exchange of tax information between jurisdictions under the Common Reporting Standard would apply to these assets.

Businesses—whether they facilitate crypto-asset activity or in certain cases simply receive crypto-assets as payment—will need to monitor and assess their systems and procedures for compliance readiness as tax information reporting rules come to the fore.

Read a [2022 report](#) [PDF 2.47 MB] (60 pages) prepared by KPMG tax professionals

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