



Coinbase Global, Inc.  
248 3rd St, #434  
Oakland, CA 94607

27 May, 2024

HMRC Exchange of Information Team  
B7.28 Stratford Regional Centre  
Central Mail Unit  
Newcastle  
NE88  
eoi.policy@hmrc.gov.uk

Submitted via email

**Re: Call for Evidence with respect to the UK's implementation of the OECD's  
Cryptoasset Reporting Framework and Amendments to the Common  
Reporting Standard package**

Dear Sir or Madam,

Coinbase Global, Inc. and its affiliates ("Coinbase") welcome the opportunity to submit a response to HM Revenue & Customs Call for Evidence with respect to the UK's implementation of the OECD's Cryptoasset Reporting Framework and Amendments to the Common Reporting Standard package. Coinbase operates one of the largest and most trusted platforms for customers to buy, sell, and manage digital assets. We are dedicated to working openly and constructively with tax authorities and regulators, both in the United States and globally, to promote compliance with applicable regulatory and tax laws.

CARF and the amendments to CRS should be implemented in a manner equivalent to financial asset reporting and allow a nascent industry time to develop systems capable of supporting complex products and transactions within its ecosystem. We understand that tax administrators need transparency, and we support providing quality data that will allow them to ensure taxpayer compliance with their tax obligations. Our comments are centered on the need for the development of effective, efficient, and pragmatic standards that provide for:

1. Consistency and symmetry in implementation among participating countries
2. Phased reporting and elimination of duplicate reporting
3. Clarification of Stablecoin Reporting within CRS and CARF



4. Introduction of an “Implementation Manual” to provide guidance and Q&As
5. The penalty regime should be consistent with the existing penalty regime for CRS
6. Domestic Reporting should extend the CARF/CRS international standards to require UK reporting entities to include information on UK residents without deviation from the international exchange standards and in a subsequent implementation phase

## COMMENTS

### 1. Consistency and symmetry in implementation among participating countries

The implementation timeline should be no earlier than any dates recommended in CARF, and there should be no variation in reporting rules from what is recommended in CARF. Deviation on a country by country basis regarding reporting rules makes implementation even more difficult. For example, we are already seeing deviation from CARF in the adoption of DAC8 by the European Commission, including retroactive application, extraterritorial reach and blocking transactions.

DAC8 still needs to be translated into local jurisdictions within the EU, and we may see further differences in reporting and registration requirements at the local level. Countries outside of the EU also need to translate the requirements into their jurisdictions. The more local implementation strays from CARF, the more complexity there will be to implementation, potentially further pushing out compliance dates. We urge the UK not to deviate from the original proposal approved by members of the OECD.

### 2. Phased Reporting and Elimination of Duplicate Reporting

RCASPs must track and report granular transactional data (user demographics, aggregate payments reported on each crypto-asset, and the currencies accepted as payment for its purchase). Many of these data points are not currently required data points to manage existing account relationships. Consequently, service providers will need to develop systems to collect and store this information. The CARF will require market participants to make numerous technical and operational modifications before its implementation.

As we have suggested to the OECD and other participating jurisdictions, RCASPs need time to issue and refine regulations to design a system that is “common” across all relevant participating jurisdictions. We recommend that HMRC should approach the implementation of CARF as an agile and iterative process. With this in mind, the development and implementation of CARF should be designed as a phased roadmap, allowing time for adjustments and modifications based on feedback from the affected parties (governments and RCASPs).



We propose two phases for implementation, focusing first on the relatively mature portions of the Crypto-Asset market, specifically:

**Phase 1:** cryptocurrency transactions executed on centralized crypto exchanges and other regulated entities.

**Phase 2:** cryptocurrency transactions occurring on decentralized platforms utilizing smart contract technology and emerging categories of Crypto-Assets such as (i) derivatives in the form of crypto-contracts and (ii) NFTs.

Within each phase, the HMRC should provide time for feedback and suggestions about what is working from the perspective of the RCASP and the participating jurisdiction. This will benefit both RCASPs and participating jurisdictions.

### **Phase 1**

We recommend that Phase I should be effective no sooner than 18 months after the initial adoption of the framework in participating jurisdictions. Modification of systems cannot begin until the requirements are finalized and define the parameters for compliance. If the new requirements take effect prematurely, RCASPs will be unable to comply with the latest requirements, resulting in participating jurisdictions receiving unreliable information.

The UK and other participating jurisdictions will need this time to issue legislation and supporting regulations. Additionally, HMRC may need to obtain funding and modify their technology to utilize the information effectively and efficiently. The recommended phased implementation and effective dates will allow RCASPs and participating jurisdictions to focus their time and resources on the most developed aspects of the Crypto-Asset marketplace.

### **Phase 2**

Phase 2 should be implemented after Phase 1 with a similar 18 month timeline. It is important to note that decentralized finance (DeFi) is a complex and emerging technology that allows financial transactions to be processed in a peer to peer manner on a public blockchain, combining a front-end user interface application and smart contract technology. Despite its rapid growth, it is still in the early phases of development. DeFi needs time to mature before imposing information reporting requirements that may stifle innovation and prevent new entrants to the market. NFTs are in a similar situation. While some NFTs have high value and visibility, most do not. Most NFTs traded on online marketplaces are non financial in nature and should not be subject to reporting requirements similar to financial instruments. Valuations are difficult, if not impossible, to obtain, and while all NFTs, in theory, can be exchanged, most in



practice are not. The industry requires time to build systems capable of differentiating the different use cases for NFTs and methodologies to value them accurately.

It should be noted that implementing FATCA by the US and CRS globally required six years. FATCA required four years. The CRS required two years, in part, because it closely mirrored the FATCA framework. This was after initial deadlines were delayed due to more time being needed by implementing jurisdictions. Further, both FATCA and CRS had varying phased in approaches to implementation. CARF can be developed with the benefit of the lessons learned by FATCA and CRS; however, the industry and technology are new and require an iterative and agile approach.

### **3. Coordination of Stablecoin Reporting within CRS and CARF**

Stablecoins should be reportable solely under CRS. It is unclear to RCASPs which stablecoins are regulated and, therefore, reportable under CRS and which stablecoins are not regulated and consequently reportable under CARF. Stablecoins backed by fiat currency are not designed to deviate from a defined value at par and, thus, are not expected to generate gain or loss for income tax purposes. On this basis, currency-backed stablecoins should be reportable under CRS and subject to balance and income reporting rather than an aggregate transactional basis under CARF.

### **4. “Implementation Manual” should be introduced to provide guidance and Q&As**

HMRC should work with the OECD to introduce an implementation manual for RCASPs that is similar in scope to the [Implementation Manual introduced in 2018](#) to assist government officials in the implementation of the “Standard for the Automatic Exchange of Financial Account Information in Tax Matters” and to provide a practical overview of the Standard to both the financial sector and the public at-large. This manual included diagrams, definitions, and cross-references back to the Common Reporting Standards that made it easier for organizations to develop their policies, procedures, and reporting schema. The current [Standard for Automatic Exchange of Financial Account Information in Tax Matters: Implementation Handbook](#), updated on June 08, 2023, to include CARF and Amendments to CRS, does not contain this information. It is important to remember that a limited number of the RCASPs covered under CARF currently have tax reporting systems in place or familiarity with CRS. They will need detailed examples, diagrams, charts, and a section addressing frequently asked questions in order to comply with reporting requirements.



**5. The penalty regime should be consistent with the existing penalty regime for Common Reporting Standards**

HM Revenue is seeking to align the penalties for non compliance for CARF to the Model Rules for Digital Platforms. The industry supports fair and symmetrical penalties with the existing CRS Penalty Regime. These penalties provide a practical deterrent to non-compliance and are not unduly punitive to a nascent industry. HM Revenue also seeks to increase the penalties for non compliance with the Common Reporting Standards to the penalties in the Model Rules for Digital Platforms but has not demonstrated that the existing penalty regime has resulted in non-compliance from the financial sector.

The penalty regime should also have caps on it for large and small businesses. Especially since CARF will sweep small providers into scope as an RCASP who do not have the same revenues as centralized exchanges. These penalties may be unduly burdensome and have the effect of putting them out of business rather than fostering compliance.

**6. Domestic Reporting should extend the CARF/CRS international standards to require UK reporting entities to include information on UK residents**

HM Revenue has proposed extending the CARF/CRS international standards to require UK reporting entities to include information on UK residents instead of exercising its data gathering powers in Schedule 23 of Finance Act 2011 (issuing notices to certain UK financial institutions and crypto asset service providers). We are supportive of this approach as long as it is implemented without deviation from the international exchange standards for CARF/CRS and is implemented in a subsequent phase of two years after CARF.

\*\*\*\*\*

Thank you for the opportunity to comment on implementing this critical framework. We appreciate your consideration of our comments and recommendations. If you have any questions, please feel free to contact us, and we will be glad to discuss or assist in any way. We look forward to working with you on this important initiative.

Very truly yours,

Lawrence Zlatkin  
Vice President, Tax  
Coinbase Global, Inc.