

EXPLANATORY NOTE ON PUBLICATION OF DRAFT CARF REGULATIONS

Regulations for purposes of paragraph (c) of the definition of “International Tax Standard” in section 1 of the Tax Administration Act, 2011 (Act No. 28 of 2011), promulgated under section 257 of the Act, specifying the changes to the OECD Crypto-Asset Reporting Framework International Standard for the Exchange of Tax-Related Information between Countries (CARF)

The Draft CARF Regulations contains the Crypto-Asset Reporting Framework (CARF) as approved by the OECD’s Committee on Fiscal Affairs over the course of 2022/2023.

The CARF was adopted as part of a comprehensive review of the Standard for Automatic Exchange of Financial Account Information in Tax Matters. This Standard, initially developed in response to a G20 request, was embodied in the OECD Recommendation on the Standard for Automatic Exchange of Financial Account Information in Tax Matters and adopted by the OECD Council on 15 July 2014 and calls on jurisdictions to obtain information from their financial institutions and automatically exchange that information with other jurisdictions annually.

The CARF provides for the automatic exchange of tax relevant-information on Crypto-Assets and was developed to address the rapid development and growth of the Crypto-Asset market and to ensure that recent gains in global tax transparency will not be gradually eroded. The CARF consists of three distinct components:

- Rules and related Commentary and Guidance that can be transposed into domestic law to collect information from Reporting Crypto-Asset Service Providers with a relevant nexus to the jurisdiction implementing the CARF. These Rules and Commentary have been designed around four key building blocks:
 - (i) the scope of Crypto-Assets to be covered;
 - (ii) the Entities and individuals subject to data collection and reporting requirements;
 - (iii) the transactions subject to reporting, as well as the information to be reported in respect of such transactions; and
 - (iv) the due diligence procedures to identify Crypto-Asset Users and Controlling Persons and to determine the relevant tax jurisdictions for reporting and exchange purposes.
- a Multilateral Competent Authority Agreement on Automatic Exchange of Information pursuant to the CARF (CARF MCAA) and related Commentary (or bilateral agreements or arrangements); and

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- an electronic format (XML schema) to be used by Competent Authorities for purposes of exchanging the CARF information, as well as by Reporting Crypto-Asset Service Providers to report CARF information to tax administrations (as permitted by domestic law).