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Recent Guidance on Crypto-Asset Reporting Obligations in India

India's Implementation of the OECD Crypto-Asset Reporting Framework (CARF)

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On 24 July 2026, the Central Board of Direct Taxes (CBDT) issued a comprehensive Guidance Note to assist Reporting Crypto-Asset Service Providers (RCASPs) in complying with the dedicated reporting framework under the Income-tax Act, 2025 (Income-tax Act) and the Income-tax Rules, 2026 (Income-tax Rules) for reporting crypto asset transactions. The reporting obligations arise under section 509 of the Income-tax Act, with the corresponding due diligence and reporting requirements prescribed under Rules 241 to 244 and Form 167 of the Income-tax Rules.

The framework implements the OECD's Crypto-Asset Reporting Framework (CARF), developed at the request of the G20 to provide standardised, automatic exchange of tax-relevant information on crypto-asset transactions between participating jurisdictions. CARF addresses gaps in existing information frameworks, including the Common Reporting Standard (CRS) and the Foreign Account Tax Compliance Act (FATCA), which were not designed specifically to capture crypto-assets. The framework is intended to enable tax authorities to obtain information on their tax residents' offshore crypto-asset activities and strengthen international tax transparency and compliance.

The Guidance Note provides practical guidance on the identification of reporting RCASPs, determination of tax residence, self-certification procedures, controlling persons, cross-border transactions, reporting requirements and compliance procedures. It also sets out frequently asked questions (FAQs) and illustrative examples to assist RCASPs in applying the reporting framework.

Key Obligations

The key elements of the crypto-asset reporting framework are summarised below.

1. Scope of Crypto-Assets Covered

Definition	"Crypto-Asset" means a digital representation of value that relies on a cryptographically secured distributed ledger or similar technology to validate and secure transactions. The definition is functional and does not depend on labels such as "cryptocurrency", "security token" or "NFT."
Relevant Crypto-Assets	Only "Relevant Crypto-Assets" are subject to the reporting and due diligence requirements. These include all Crypto-Assets other than: (a) Central Bank Digital Currencies (CBDCs); (b) Specified Electronic Money Products; and (c) Crypto-Assets that the RCASP has adequately determined cannot be used for payment or investment purposes.

2. Who Is an RCASP (Reporting Crypto-Asset Service Provider)

A "Reporting Crypto-Asset Service Provider" means any individual or entity that, as a business, provides services that effect Exchange Transactions for or on behalf of customers, including by acting as a counterparty or intermediary to Exchange Transactions, or by making available a trading platform. Unlike CRS, under which reporting financial institutions are generally entities, an RCASP may be either an individual or an entity.

Entities that ARE RCASPs	Entities that ARE NOT RCASPs
• Dealers acting for their own account in buying/selling crypto-assets to customers • Operators of crypto-asset ATMs or kiosks • Crypto exchanges (including market makers) • Brokers • Non-custodial trading platforms	• Bulletin-board platforms that merely post prices • Entities solely engaged in creating or selling software • Investment funds that do not enable investors to effect Exchange Transactions • Entities solely validating distributed ledger transactions, such as miners or validators

3. Reporting Nexus – Where RCASPs Report

A RCASP has a reporting nexus in India if it is: (i) an entity or individual resident for tax purposes in India; (ii) an entity incorporated or organised under Indian law; (iii) an entity with legal personality in India or an obligation to file a return of income under section 263 of the Income-tax Act; (iv) an entity managed from India; or (v) an entity or individual with a regular place of business in India. A RCASP is also subject to reporting in respect of Relevant Crypto-Asset transactions effected through a branch located in India.

To prevent duplicate reporting, Rule 242(3) of the Income-tax Rules establishes a cascading hierarchy for determining the applicable nexus: tax residence, incorporation or legal personality, place of management and regular place of business. A RCASP may be relieved from reporting in India if it lodges a notification confirming that it reports under substantially similar nexus rules in a partner jurisdiction.

4. Identification of Reportable Persons

A "Reportable Person" means an entity or individual, including the estate of a decedent, that is resident in a country or territory outside India under the tax laws of that jurisdiction, other than specified excluded persons.

RCASPs must: (a) identify Crypto-Asset Users who are Reportable Users; and (b) where an Entity Crypto-Asset User is neither an Active Entity nor an excluded person, look through the entity to identify its Controlling Persons who are Reportable Persons.

5. Due Diligence Procedures

Pre-existing Users	Due diligence to be completed within 12 months on and from 1 January 2026, i.e., by 31 December 2026. Substantive requirements equivalent to the CRS "New Account Procedures" apply.
New Users	RCASP must conduct due diligence and obtain a valid self-certification when establishing the relationship or effecting a one-off transaction.
Self-certification	The self-certification must be signed, positively affirmed, dated, and include the user's name, address, jurisdiction(s) of tax residence and TIN for each jurisdiction. For entities, it must also include the date and place of incorporation. The RCASP must verify the reasonableness of information against available AML/KYC information.
Third-party Reliance	RCASPs may rely on third-party service providers or agents to fulfil their due diligence obligations, subject to the conditions, however, the responsibility remain with the RCASP; and reporting must be undertaken in the RCASP's name.
Record Retention	All relevant documentation and data must be retained for at least 7 tax years after the end of the reporting period, including external wallet addresses associated with Reportable Transfers.

6. Reporting Requirements (Form 167 / Rule 243)

For each type of Relevant Crypto-Asset, RCASPs must report the following:

Transaction Types	Exchange Transactions: Crypto-Asset-to-fiat currency and Crypto-Asset-to-Crypto-Asset transactions; Transfers: Movements to or from addresses not maintained by the RCASP,

	including airdrops and hard-forks; Reportable Retail Payment Transactions: Transfers made in consideration for goods or services exceeding USD 50,000.
Information to be Reported	(a) Full name of the Relevant Crypto-Asset; (b) Acquisitions and disposals against fiat currency; (c) Acquisitions and disposals against other Relevant Crypto-Assets; (d) Reportable Retail Payment Transactions; (e) Other Transfers to and by the Reportable User; (f) Transfers to external wallet addresses, including aggregate units and fair market value.
Valuation	Amounts must be reported net of transaction fees and in Indian rupees (INR). Fiat other than INR must be converted at the telegraphic transfer buying rate on the transaction date. Crypto-to-Crypto transactions must be reported at their fair market value in INR at the time of the transaction.
Identifiers	The name of the Relevant Crypto-Asset must be reported using the Digital Token Identifier, where available.

7. Timelines and Filing

Reporting Period	Each relevant calendar year commencing on or after 1 January 2026.
Filing Deadline	Form 167 must be furnished by 31 May of the calendar year following the relevant reporting year. Accordingly, the first reporting for calendar year 2026 is due by 31 May 2027.
Nil Reporting	Even if no reportable user/person is identified, registration and filing of a nil statement in Form 167 is mandatory.
Filing Process	(1) Generate the ITDREIN on the income-tax e-filing portal; (2) Submit the reporting entity's details on report.insight.gov.in; (3) Register the Designated Director and Principal Officer; (4) Prepare Form 167 using the prescribed schema/XML utility; and (5) Upload Form 167 with a digital signature. The statement is furnished electronically to the Director/Joint Director of Income-tax (Intelligence and Criminal Investigation).

8. Penalties (Section 446)

Default	Penalty
Failure to furnish statement	Rs. 200 per day for each day the failure continues
Inaccurate information or failure to comply with due diligence	Rs. 50,000

Comments

The framework introduced through the Guidance Note significantly expands India's tax-transparency architecture beyond traditional financial accounts covered by the CRS and FATCA to the crypto-asset sector. By adopting a framework broadly aligned with the OECD's CARF, India is positioning itself within the emerging global framework for the automatic exchange of tax-relevant information on crypto-asset transactions. The framework is therefore likely to increase transparency around cross-border crypto-asset activities and reduce the scope for such activities to remain outside established tax-reporting mechanisms.

The scope of the framework is functional and broad. An RCASP may be an individual or an entity, and non-custodial platforms and certain intermediaries may fall within its ambit. Businesses operating in or adjacent to the crypto-asset ecosystem should therefore assess whether they qualify as RCASPs and determine their nexus to India under the cascading hierarchy.

With the first reporting period commencing on 1 January 2026 and the first filing due by 31 May 2027, in-scope entities should prioritise implementation. This would involve assessing their reporting obligations, undertaking a gap assessment, establishing appropriate governance and accountability structures, integrating CARF-specific requirements into onboarding and due-diligence processes, and implementing systems to collect and validate tax-residence information, TINs, wallet addresses and other reportable data. While existing PMLA and KYC processes may provide a foundation for implementation, RCASPs will need to supplement these processes with CARF-specific data and controls.

RCASPs should also establish mechanisms for ongoing monitoring of changes in circumstances, identification of Reportable Users and Controlling Persons, and timely reporting. The mandatory nil reporting and daily penalty for failure to furnish a statement underscore the importance of timely registration and compliance, even where an RCASP ultimately has no reportable users or transactions.

The seven-year record-retention requirement, together with the need to maintain information on external wallet addresses associated with Reportable Transfers, may also create significant data-governance and systems challenges, particularly for platforms processing high volumes of on-chain transactions. Businesses within the scope of the framework should therefore act now to implement the necessary policy, process and technology changes to support sustained CARF compliance and mitigate associated regulatory and tax risks.

- *Shaily Gupta (Partner) and Prashanth Ramdas (Partner)*

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