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India Amends Tax Rules to Include Crypto Assets and CBDC in Financial Reporting

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Why in News?

The Government of India has amended the Income Tax Rules to expand the financial reporting framework.

The amendment brings crypto assets, Central Bank Digital Currency (CBDC), and certain electronic money products within the reporting system.

Expansion of Financial Asset Definition

The revised rules introduce the concept of “relevant crypto-assets.”

The definition of financial assets now includes interests linked to crypto assets.

Transactions Covered

The framework will now include reporting of:

Exchange between crypto assets and fiat currencies

Exchange between different crypto assets.

Inclusion of CBDC and Electronic Money

Entities holding Central Bank Digital Currency (CBDC) or certain electronic money products for customers may be treated as depository institutions.

This brings them under the reporting financial institution framework.

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Compliance Relaxation for Small Accounts

Some electronic money accounts may receive simplified treatment if the rolling 90-day average balance does not exceed $10,000.

Additional Reporting Requirements

Financial institutions must now maintain extra information such as:

Whether the account holder submitted valid self-certification

Whether the account is joint

Number of joint account holders.

Reporting Framework Alignment

The rules strengthen India’s reporting obligations under:

Foreign Account Tax Compliance Act (FATCA)

Common Reporting Standard (CRS).

These frameworks require financial institutions to identify and report accounts held by foreign tax residents.

Global Crypto Reporting Standard

The amendments also align with the Crypto?Asset Reporting Framework (CARF), designed to improve tax transparency in digital assets globally.

Objective

Ensure tax transparency and regulatory oversight of digital assets.

Adapt the tax reporting system to the rapidly evolving digital financial ecosystem.