

HMRC internal manual

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IEIM8000220 - Cryptoasset reporting framework: what is a relevant cryptoasset?: is it a cryptoasset for CARF purposes?

The definition of a cryptoasset for CARF purposes is functional and includes any digital representation of value that relies on a cryptographically secured distributed ledger or similar technology to validate and secure transactions.

Further guidance on what is a cryptoasset for UK tax purposes can be found within CRYPTO10100 (<https://www.gov.uk/hmrc-internal-manuals/cryptoassets-manual/crypto10100>).

Digital representation of value

A 'digital representation of value' means that a cryptoasset must both:

- represent a right to value, (which includes tokens that allow users to store value or make payments, even if they do not represent claims or rights of membership against a person, rights to property, or other absolute or relative rights), and
- that ownership, or right to, such value can be digitally traded or transferred between individuals or entities.

Technological Reliance

For the purposes of the CARF, a cryptoasset must rely on cryptographically secured distributed ledger technology (DLT) or similar technology to validate and secure transactions. 'Similar technology' includes any system that enables disintermediated holding or validation of cryptoassets, regardless of software type.

Digitally Issued or Tokenised Financial Assets

Certain digitally issued or tokenised financial assets are not cryptoassets for the purposes of the CARF and therefore excluded from CARF reporting.

Digitally issued or tokenised financial assets are excluded from the scope of the CARF where:

- the asset can only be held by and transferred through custodial accounts maintained with one or more depository or custodial institution by virtue of regulation or the laws in the UK;
- the asset is an equity interest in a regulated investment entity that can only be registered and transferred through the investment entity by traditional means by virtue of regulation or the laws in the UK;
- the asset is an equity interest in a regulated investment entity that can only be registered and transferred through the investment entity via a distributed ledger controlled by the issuing entity or

its agent by virtue of regulation or the laws in the UK.

Where a digitally issued or tokenised financial asset does not meet any of the conditions above, it will qualify as a cryptoasset for CARF purposes. In such cases, cryptoasset service providers should establish whether the cryptoasset is a relevant cryptoasset for the purposes of the CARF and whether the optional provision under Section I(G) of the amended Common Reporting Standard can be applied.

For this section of the guidance, the terms “custodial account” [see [IEIM401580 \(https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim401580\)](https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim401580)], “depository institution” [see [IEIM400740 \(https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim400740\)](https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim400740)], “custodial institution” [see [IEIM400650 \(https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim400650\)](https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim400650)], “equity interest” [see [IEIM401700 \(https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim401700\)](https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim401700)] and “investment entity” [see [IEIM400770 \(https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim400770\)](https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim400770)], have the same meaning as in the amended Common Reporting Standard.

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