HMRC internal manual

International Exchange of Information Manual

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IEIM8000435 - Identifying reportable users and reportable persons

A cryptoasset user's information will need to be reported if they are a reportable user. A reportable user is defined in the rules as:

"A cryptoasset user that is a reportable person."

A reportable person is defined in the rules as a:

"reportable jurisdiction person, other than an excluded person."

A reportable jurisdiction person is defined in the rules as:

"an entity or individual that is resident in a reportable jurisdiction under the tax laws of such jurisdiction, or an estate of a decedent that was a resident of a reportable jurisdiction."

For this purpose, an entity such as a partnership, limited liability partnership or similar legal arrangement that has no residence for tax purposes shall be treated as resident in the jurisdiction in which its place of effective management is situated.

A reportable jurisdiction is any jurisdiction that:

(a) has an agreement or arrangement in effect pursuant to which it is obligated to provide the information specified in the UK regulations with respect to reportable persons resident in such jurisdiction to the UK, and

(b) which is identified as such in a list published by HMRC.

The UK has implemented domestic CARF reporting and this means that UK tax resident cryptoasset users of the RCASP will be reportable to HMRC.

An excluded person is defined in the CARF as:

“(a) an entity the stock of which is regularly traded on one or more established securities markets;

(b) any entity that is a related entity of an entity described in clause

(c) a Governmental Entity;

(d) an International Organisation;

(e) a Central Bank; or

(f) a Financial Institution other than an Investment Entity described in Section IV E(5)(b) of the Rules.”

Example 1

MemeCoin Ltd is a UK RCASP. Memecoin Ltd registers a new individual cryptoasset user and obtains a self-certificate at the establishment of the relationship and before any transactions are effectuated. The self-certificate confirms that the individual cryptoasset user is resident in a reportable jurisdiction, with which the UK has an active exchange relationship and is on the UK's list of partner jurisdictions. The cryptoasset user is a reportable jurisdiction person. MemeCoin Ltd will be required to collect information on the cryptoasset user's transactions and provide those to HMRC.

Example 2

MemeCoin Ltd establishes a relationship with a new individual cryptoasset user. MemeCoin Ltd collects the self-certificate before any transactions are effectuated. MemeCoin Ltd establishes that the individual cryptoasset user is not resident in a reportable jurisdiction, with which the UK has an active exchange relationship and is not on the UK's list of partner jurisdictions. The cryptoasset user is not a reportable jurisdiction person. The RCASP does not have to report the cryptoasset user's transaction to HMRC.

Entity cryptoasset users and controlling persons

As well as establishing if the entity cryptoasset user is a reportable user, the RCASP must also establish if it has one or more controlling persons, who are reportable persons. This is not necessary if the entity cryptoasset user is an active entity or an excluded person. An active entity is any entity that meets the criteria listed in the Section IV D11 of the Rules (https://oecd.org/en/publications/international-standards-for-automatic-exchange-of-information-in-tax-matters_896d79d1-en/full-report.html).

A controlling person means the natural persons who exercise control over an entity. In the case of a trust, such term means the settlors, the trustees, the protectors, the beneficiaries or classes of beneficiaries, and any other natural persons exercising ultimate effective control over the trust, and in the case of a legal arrangement other than a trust, such term means persons in equivalent or similar positions. The term "controlling persons" must be interpreted in a manner consistent with the 2012 Financial Action Task Force Recommendations, as updated in June 2019 pertaining to virtual asset service providers. (https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html)

Where controlling persons are identified, the RCASP will need to obtain self-certificates from the controlling persons to determine if they are reportable persons. IEIM 8000450 - Validation of self-certificates (https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim8000450) details the self-certificate requirements for controlling persons.

Example 1

Memecoin Ltd, a UK RCASP, establishes a relationship with a new entity cryptoasset user X Ltd. Memecoin Ltd determines, based on information collected as part of anti-money laundering procedures, that X Ltd is an active entity. Memecoin Ltd does not need to consider if the X Ltd has controlling persons.

Example 2

Goldfinch Ltd, a UK RCASP, establishes a relationship with a new entity cryptoasset user, Z Ltd. Goldfinch Ltd determines that based on the information collected as part of anti-money laundering procedures, that Z Ltd is not an active entity. Goldfinch Ltd is required to establish who the controlling persons are for Z Ltd and obtain self-certificates to establish if the controlling persons are reportable persons.

← **Previous page**
(/hmrc-internal-manuals/international-exchange-of-information/ieim8000430)

→ **Next page**
(/hmrc-internal-manuals/international-exchange-of-information/ieim8000440)