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CBDT Aligns Crypto-Asset Tax Reporting with the OECD's CARF

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Every fact web-verified against primary sources

The Central Board of Direct Taxes (CBDT) released a detailed guidance note on July 24, 2026, widely reported from July 26 onward, shifting crypto transaction reporting obligations from individual investors to crypto exchanges, formally aligning India with the OECD's Crypto-Asset Reporting Framework (CARF).

WHAT CHANGED

PARAMETER	DETAIL
Legal basis	Section 509 of the **Income-tax Act, 2025**, read with **Rules 241-244** of the Income-tax Rules, 2026
Who reports now	**Reporting Crypto-Asset Service Providers (RCASPs)**, principally exchanges and custodial platforms, not individual investors
Cross-border data exchange	Automatic exchange of crypto tax information with partner jurisdictions begins **April 2027**
Tax treatment	**Unchanged**; no new tax on Virtual Digital Assets (VDAs) has been introduced

The change is an administrative and reporting reform, not a tax-policy reform. Until now, the burden of self-reporting crypto gains and holdings sat with the individual taxpayer, which is difficult to monitor and easy to under-report. Under the new framework, the exchange itself must identify its users, classify their crypto-asset transactions, and report specified categories of exchange, transfer and payment transactions to the tax authority, mirroring how banks report account information.

WHAT CARF IS

The **Crypto-Asset Reporting Framework (CARF)** is an OECD standard, developed at the request of the G20, that extends the logic of the **Common Reporting Standard (CRS)**, used for automatic exchange of bank account information since 2017, to crypto-assets. Just as the CRS closed the loophole of hiding income in offshore bank accounts, CARF is designed to close the newer loophole of holding taxable assets in crypto wallets and exchanges outside a taxpayer's home jurisdiction.

STANDARD	ASSET CLASS COVERED	REPORTING ENTITY
Common Reporting Standard (CRS), since 2017	Bank accounts, custodial financial assets	Financial institutions
Crypto-Asset Reporting Framework (CARF)	Crypto-assets, including tokens and stablecoins	Reporting Crypto-Asset Service Providers

India's adoption timeline mirrors how it approached CRS: India was an early adopter of CRS under a Multilateral Competent Authority Agreement, and it is now positioning itself as an early CARF adopter, with reporting beginning domestically in 2026 and cross-border exchange from April 2027.

INDIA'S EXISTING VDA TAX FRAMEWORK

The reporting change sits on top of, and does not alter, India's substantive VDA tax rules, first introduced in the **Union Budget 2022-23**:

PROVISION	RULE
Tax on VDA transfer gains	Flat **30 per cent**, with no deduction for expenses other than cost of acquisition, and no set-off of losses against other income
Tax Deducted at Source (TDS)	**1 per cent** under **Section 194S** on transfer consideration above specified thresholds
Loss treatment	Losses from one VDA **cannot be set off** against gains from another VDA or any other head of income
Successor provision	Carried forward into the **Income-tax Act, 2025**, which replaces the Income-tax Act, 1961 with effect from **April 1, 2026**

UPSC RELEVANCE

GS Paper 3: Mobilisation of resources; Indian Economy, effects of liberalisation on the economy; Science and Technology, awareness in IT and fintech regulation.

GS Paper 2: India's role in international regulatory cooperation, effect of policies of developed and developing countries on India's interests, OECD and G20 processes.

Prelims pointers:

- **CARF** stands for **Crypto-Asset Reporting Framework**, an OECD standard requested by the G20.
- CARF extends the logic of the **Common Reporting Standard (CRS)**, in place since 2017 for bank accounts.
- The reporting entity under CARF is the **RCASP** (Reporting Crypto-Asset Service Provider), typically an exchange.
- Legal basis in India: **Section 509, Income-tax Act, 2025**; **Rules 241-244, Income-tax Rules, 2026**.
- Cross-border automatic exchange of crypto data begins **April 2027**.
- VDA transfer gains are taxed at a flat **30 per cent**; TDS is **1 per cent under Section 194S**; losses cannot be set off against other income.
- The **Income-tax Act, 2025** takes effect from **April 1, 2026**, replacing the **Income-tax Act, 1961**.

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CARF ALIGNMENT, 2026:

CBDT guidance note issued July 24, 2026; widely reported from July 26 onward.

Legal basis: Section 509, Income-tax Act, 2025; Rules 241-244, Income-tax Rules, 2026.

Reporting shifts from individual investors to Reporting Crypto-Asset Service Providers (RCASPs).

Cross-border automatic exchange begins April 2027.

No change to the substantive tax treatment of VDAs.

CARF AND CRS:

CARF is an OECD framework developed at the G20's request, extending automatic exchange of information to crypto-assets.

CRS has covered bank accounts and custodial financial assets since 2017.

INDIA'S VDA TAX REGIME:

Introduced Union Budget 2022-23.

30 per cent flat tax on VDA transfer gains; no expense deduction other than cost of acquisition.

1 per cent TDS under Section 194S.

No inter-VDA or cross-head loss set-off.

Continued under the Income-tax Act, 2025, effective April 1, 2026.

Sources: Income Tax Department, PIB, Business Standard, OECD

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