

Digital Assets – Due Diligence and Information Reporting: Tax Solutions

Introduction

In the rapidly evolving landscape of digital assets, regulatory bodies are aligning crypto reporting with traditional financial regulations. This shift brings new compliance deadlines and requirements for both traditional financial institutions and crypto brokers.

On June 28, 2024, the IRS finalized its Digital Asset Reporting regulations for brokers. Starting in tax year 2025 with additional requirements phasing in until 2027, the IRS will require crypto brokers to obtain valid due diligence information from account holders and users, report gross proceeds, and cost basis information on a new Form 1099-DA. In November 2024, the OECD announced 63 jurisdictions had committed to the Automatic Exchange of Information (AEOI) under the new Crypto Asset Reporting Framework (CARF) — a crypto specific reporting regime bridging current gaps with the Common Reporting Standard (CRS).

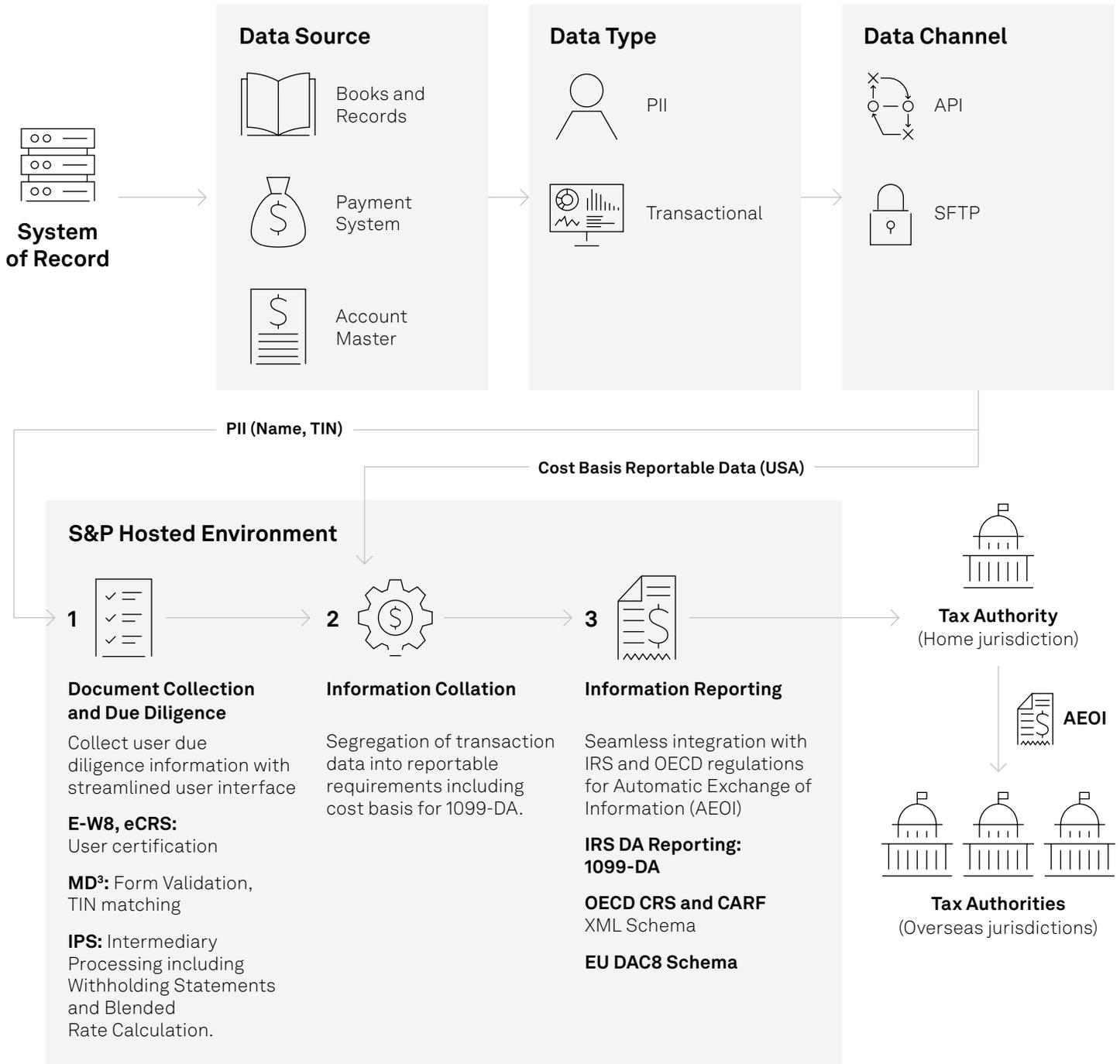
- **2025:** U.S. Brokers must start tracking gross proceeds to report on Form 1099-DA. Prior to this, brokers must obtain valid due diligence and “certified” Tax Identification Number (TIN) via Forms W-8, W-9, and as a best practice utilize the IRS TIN matching protocol to establish correct payee information to avoid withholding tax implications and potential IRS B Notices.
- **2026:** Cost basis requirements are required to be reported on Form 1099-DA for U.S. brokers. Globally, the OECD’s CARF requirements begin, mandating valid due diligence information and the sharing of transactional information with tax authorities from 2026 as part of the AEOI regime, with first brokers due in 2027.

Regulatory Alignment

A broad range of crypto asset service providers must comply with these mandatory global tax reporting obligations and focus primarily on:

- Due diligence and self-certification of customers.
- Collation of detailed information on crypto asset purchases, sales, and transfers.
- Reporting information to tax authorities to enable compliance with U.S. tax information reporting (Form 1099-DA) and global CARF requirements (XML Schema).

Digital Assets | Simplified End-to-End Product Workflow



Digital Asset Information Reporting: Tax Solutions

S&P Global Market Intelligence has a demonstrated history in assisting financial institutions in performing due diligence on their financial account holders and fulfilling their US, FATCA, and CRS reporting obligations. New global reporting regimes now apply to digital assets with S&P Global Market Intelligence utilizing its existing technology solutions infrastructure to support institutions issuing digital asset or blockchain based products to customers.

As traditional financial institutions and crypto-native businesses expand their digital asset offerings, these new global reporting regimes will be uniquely challenging and a major change for the industry as it moves towards increased compliance and regulation. S&P Global Market Intelligence has experience working with large financial institutions and cryptocurrency brokers to deliver trusted due diligence and reporting solutions.

S&P Global Market Intelligence offers end-to-end information reporting solutions, powered by advanced technology and managed services to help crypto brokers to:

- Meet IRS and OECD requirements for account holder due diligence and data collation.
- Perform Tax Identification Numbers (TINs) matching directly with the IRS.
- Minimize expenses associated with tax compliance and account onboarding.
- Simplify the onboarding process and reduce friction.
- Maintain operational efficiency and regulatory compliance.

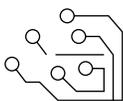
Benefit from our experience, our trusted technology scaled for high volume demands and our managed services offering for full outsourcing obligations.



Consulting

Tax Advisory Services

- Feasibility assessment with CARF/IRS.
- Policies and procedures.
- Identification of in-scope products and services.



Technology

End-to-end information reporting solution

- Tax validation software for onboarding, due diligence, and TIN matching.
- Cost basis calculation and reporting.
- Tax reporting Form 1099-DA information gathering and submission.
- Tax reporting for CARF (XML Schema).



Managed Services

Outsource your reporting obligations

- Due diligence collation and validation on a fully outsourced basis.
- Execution and filing of relevant tax forms.
- Tax Reporting on behalf of clients utilising S&P technology.
- Tax Filings with relevant authorities.