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## India Fast-Tracks Crypto Reporting Law to Strengthen Tax Sovereignty

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In a major step toward safeguarding national tax interests in the age of digital assets, India is set to adopt the Crypto-Asset Reporting Framework (CARF), a global reporting standard aimed at increasing transparency in cryptocurrency transactions. The move will be implemented through an amendment to the Income Tax Act, with reporting expected to begin by April 1, 2026.

The framework, endorsed by the Organisation for Economic Co-operation and Development (OECD) and supported by G20 nations, will require crypto asset service providers such as exchanges and wallet operators to collect and report user data, including tax residency, transaction amounts, and asset types. These reports will then be shared automatically with tax authorities, similar to the current Common Reporting Standard (CRS) used for financial accounts.

The Indian government has proposed Section 285BAA under the Finance Bill 2025 to operationalize the framework domestically. This section mandates that crypto-related businesses comply with CARF requirements starting from fiscal year 2026–27.

The move comes as part of India's broader commitment to global tax cooperation and is aimed at combating tax evasion through offshore crypto holdings. According to the government, over 50 jurisdictions have already agreed to implement CARF by 2027.

“India's decision to align with CARF reflects its strong intent to close information gaps and prevent misuse of digital asset platforms for tax avoidance,” said a senior tax official familiar with the developments.

Under CARF, covered transactions include crypto-to-fiat exchanges, crypto-to-crypto conversions, and certain transfers of crypto assets. The framework will also apply Know Your Customer (KYC) procedures to verify user identity and ensure proper due diligence.

Industry stakeholders have been advised to begin updating compliance systems to meet the upcoming reporting requirements. The Central Board of Direct Taxes (CBDT) is expected to release detailed implementation guidelines soon.

The swift adoption of CARF is expected to enhance India's ability to trace cross-border crypto flows and reinforce its tax enforcement capabilities, while aligning the country with global regulatory standards in the digital economy.