SUMMARY OF THE CBDT GUIDANCE NOTE ON FATCA & CRS (2026)

Special Focus on Crypto Transactions, Digital Assets, CBDCs and Electronic Money

The **CBDT's revised Guidance Note on FATCA and the Common Reporting Standard (CRS)**, released on **24 July 2026**, is one of the most significant developments in India's international tax transparency framework. While previous versions mainly covered traditional banking and investment accounts, the 2026 Guidance Note substantially expands the reporting regime to include **digital financial products, crypto-related investment entities, electronic money products, and Central Bank Digital Currencies (CBDCs)** in line with the **OECD's CRS 2025 amendments**.

Why was the Guidance Note Updated?

The CBDT notes that the global financial system has undergone major transformation due to:

- rapid growth of digital assets;
- increasing use of crypto-assets;
- expansion of electronic payment systems;
- emergence of Central Bank Digital Currencies (CBDCs); and
- new cross-border financial products.

The previous FATCA/CRS framework was designed primarily for conventional bank accounts and investment products. The revised Guidance Note modernizes India's reporting framework by incorporating these new asset classes to prevent tax evasion through digital financial products.

Shift from Traditional Banking to Digital Finance

One of the biggest policy shifts in the 2026 Guidance Note is the recognition that taxpayers increasingly hold wealth outside conventional bank accounts. Assets may now be stored in:

- digital wallets;
- prepaid payment instruments;

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- electronic money accounts;
- CBDC wallets;
- crypto investment funds; and
- crypto custody platforms.

The revised CRS therefore broadens the concept of a **Financial Account** beyond traditional deposits and securities.

Crypto Assets Enter the CRS Framework

The most significant innovation is the introduction of **Relevant Crypto-Assets** into the CRS reporting ecosystem.

Under the revised rules, an entity engaged in:

- investing in crypto-assets,
- managing crypto-assets,
- administering crypto-assets, for or on behalf of customers can now qualify as an **Investment Entity** for CRS purposes. This represents a substantial expansion of the definition of Financial Institution.

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What is a "Relevant Crypto-Asset"?

The Guidance Note aligns with the OECD CRS 2025 amendments and introduces the concept of **Relevant Crypto-Assets** for CRS reporting. Unlike earlier guidance, cryptoassets are expressly recognized for determining whether an entity qualifies as an Investment Entity. The document also clarifies that crypto-assets are addressed separately under the **Crypto-Asset Reporting Framework (CARF)** for certain transaction reporting.

Importantly, the Guidance Note states that **services merely effecting exchange transactions on behalf of customers are not treated as investment management activities for this purpose**, although such transactions may be reportable under CARF.

Crypto Investment Entities

Entities primarily engaged in:

- investing in crypto-assets;
- portfolio management involving crypto-assets;
- administering crypto-assets;
- managing crypto funds;

are treated as **Investment Entities** if they satisfy the prescribed income and management tests. Consequently, interests held by investors in such entities become Financial Accounts subject to CRS reporting.

Examples include:

- crypto investment funds;
- digital asset portfolio managers;
- professionally managed crypto funds;
- entities investing in digital tokens for clients.

Crypto Exchanges Are Treated Differently

The Guidance Note draws an important distinction.

An entity that merely facilitates crypto-to-fiat or crypto-to-crypto exchange transactions is **not automatically an Investment Entity** under CRS solely because it executes exchanges. Such exchange activities are instead intended to be captured under the separate **CryptoAsset Reporting Framework (CARF)**.

This avoids duplication between CRS and CARF reporting.

Equity Interests in Crypto Investment Funds Become Reportable

From **1 January 2026**, equity and debt interests in Investment Entities that invest in or manage Relevant Crypto-Assets are treated as Financial Accounts for non-U.S. CRS reportable accounts. Investors in crypto-focused funds may therefore hold Reportable Accounts under CRS.

CARF and CRS Work Together

The Guidance Note introduces an important coordination principle:

- **CRS** focuses on Financial Accounts.
- **CARF** focuses on reportable crypto-asset transactions conducted through cryptoasset service providers.

The document also highlights a **CARF non-duplication rule** in its FAQ section, indicating that the two frameworks are intended to complement rather than duplicate each other.

Electronic Money Products (SEMPs)

A major new category introduced by the 2026 Guidance Note is the **Specified Electronic Money Product (SEMP)**.

A SEMP is generally a digital representation of a single fiat currency that:

- is issued after receiving funds;
- represents a claim on the issuer;
- is accepted by persons other than the issuer for payment; and
- is redeemable at par value for the same fiat currency.

Pure fund-transfer products created only to move customer money are excluded.

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Digital Wallets Become Financial Accounts

The Guidance Note significantly expands the definition of Depository Accounts.

From **1 January 2026**, Depository Accounts include:

- accounts representing SEMPs held for customers; and
- accounts holding CBDCs for customers.

Thus, qualifying digital wallets and electronic money accounts become Financial Accounts under CRS.

Digital Payment Platforms Become Reporting Institutions

The revised rules state that digital payment platforms and e-money issuers holding SEMPs for customers are generally regarded as **Depository Institutions** for non-

U.S. reportable accounts. As such, they may become Reporting Financial Institutions subject to CRS obligations.

Examples may include:

- RBI-authorized electronic money issuers;
- prepaid wallet providers (where qualifying as SEMPs);
- mobile wallet operators holding customer balances.

Central Bank Digital Currency (CBDC)

The Guidance Note formally incorporates **Central Bank Digital Currency (CBDC)** into India's CRS framework.

CBDC is defined as a **digital fiat currency issued by a Central Bank**.

The Reserve Bank of India's **Digital Rupee (e₹)** falls within this concept if maintained in qualifying customer accounts.

CBDC Wallets Become Depository Accounts

Where an entity holds CBDCs for customers, the account holding those CBDCs is treated as a Depository Account for CRS purposes from **1 January 2026**.

Consequently:

- customer CBDC wallets;
- retail digital rupee accounts;
- intermediaries maintaining CBDC balances may become subject to CRS reporting.

Low-Value Electronic Money Accounts Receive Relief

The Guidance Note provides a limited exclusion for certain **low-value SEMP accounts**.

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A low-value electronic money account may qualify as an Excluded Account if its rolling 90day end-of-day aggregate balance does not exceed **USD 10,000** during the relevant reporting period.

Reportable Accounts After 1 January 2026

From **1 January 2026**, Reportable Accounts may include:

- traditional bank accounts;
- custodial accounts;
- investment accounts;
- SEMP accounts;
- CBDC accounts; and
- interests in qualifying crypto Investment Entities.

These accounts must undergo due diligence to determine whether they are held by Reportable Persons or Passive NFEs with Reportable Controlling Persons.

Due Diligence for Digital Assets

Reporting Financial Institutions must apply CRS due diligence procedures to newly covered Financial Accounts, including collecting and validating self-certifications where required, monitoring changes in circumstances, and reporting qualifying accounts through **Form 166**.

Expanded FAQ Coverage

The revised Guidance Note devotes an entire section of FAQs to digital finance, including questions on:

- SEMPs;
- CBDCs;
- Relevant Crypto-Assets;
- crypto custody;
- crypto-to-fiat exchanges;
- crypto investment funds;
- dual classification as RFI/RCASP;
- Digital Rupee (e₹);

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- prepaid payment instruments (PPIs); and
- avoiding duplicate reporting between CRS and CARF.

Key Takeaways

The 2026 CBDT Guidance Note fundamentally modernizes India's FATCA/CRS framework by extending tax transparency obligations beyond traditional banking into the digital economy. While it **does not classify crypto-assets as legal tender or currency for CRS purposes**, it recognizes that entities managing or investing in crypto-assets can fall within the CRS reporting framework, and it coordinates those obligations with the separate **Crypto-Asset Reporting Framework (CARF)**. At the same time, electronic money products, qualifying digital wallets, and CBDC accounts are brought within the scope of Financial Accounts, ensuring that the Automatic Exchange of Information (AEOI) framework keeps pace with emerging financial technologies and cross-border digital asset activity.

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Date of post: 26.08.2026