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DAC6 briefing note:

Trump, crypto, and DAC6

A tax evasion time bomb



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Key crypto compliance issues for intermediaries under DAC6

The rise of cryptocurrency has introduced new complexities into the realm of tax compliance, particularly for intermediaries obligated to report under the EU's DAC6 directive. Originally designed to combat aggressive cross-border tax avoidance schemes, DAC6 requires intermediaries—including law firms, tax advisors, and financial institutions—to disclose arrangements that meet specific hallmarks of tax evasion or opacity. However, the decentralised, pseudonymous nature of crypto transactions challenges the effectiveness of these reporting requirements.

Key compliance issues emerge from the lack of clarity around who qualifies as an intermediary in crypto-related transactions. For instance, when decentralised exchanges (DEXs) or smart contracts facilitate cross-border payments without a central authority, it becomes difficult to pinpoint who holds the reporting responsibility. Additionally, the Use of privacy coins, mixers, and offshore crypto custodians further obscures transaction trails, complicating efforts to track beneficial ownership and cross-border flows of funds.

These ambiguities have led to inconsistent compliance practices across the industry. Some firms over-report crypto transactions out of caution, while others under-report, assuming weak enforcement or believing that decentralised finance (DeFi) structures fall outside DAC6's scope. As the regulatory landscape struggles to keep pace with rapid crypto adoption—further complicated by the deregulatory stance of pro-crypto political administrations like Trump's—compliance professionals face an urgent need to strengthen their approach to DAC6. Firms must not only navigate evolving legal interpretations but also invest in tools and expertise to ensure they are neither inadvertently facilitating tax evasion nor exposing themselves to regulatory penalties.

The tax evasion risks of cryptocurrency

Cryptocurrency's rise as a mainstream financial asset has transformed tax planning strategies for many, and become a tool of choice for those seeking to slash their tax liabilities, often illegally. Crypto's inherent features are a risk in themselves: anonymity, decentralisation, and instant, borderless transactions. The proliferation of thousands of tokens and types of crypto makes it an intensely attractive tool for those seeking to engage in malfeasance.

Ultimately, there is no legitimate reason for using cryptocurrency. Some individuals will use it like a form of gambling. Buying when it's low and selling once the token has grown in perceived value. However the amount that crypto is worth in an actual currency (such as the bitcoin to US dollar rate) is always perceived. There is no inherent value of cryptocurrency as it's not backed by anything but computer programmes.

For many individuals who 'invested' in cryptocurrency when it was worth a few hundred dollars, selling it for several thousand (or hundreds of thousands) comes with its own tax liabilities, potentially income tax and capital gains tax in the UK. Many other jurisdictions also tax crypto profits like any other investment. But because crypto is primarily purchased by individuals, awareness of tax liabilities is much lower.

Once a person seeks to translate cryptocurrency into actual currency, the compliance problems can start to mount. This is equally true of regulated entities presented with a crypto client. Undertaking source of funds or source of wealth checks, due diligence, even ensuring all necessary taxes have been paid on the capital, becomes increasingly complicated.



Not least due to the globalised nature of the cryptocurrency world. Crypto exchanges and wallet providers which are responsible for the payments to customers are often themselves scattered to the winds. Many crypto exchanges are based in low tax jurisdictions like Singapore, which doesn't have a capital gains tax. To take one example, after the Paradise Papers were exposed in 2017 and many of those named quickly shifted their money around, Bitcoin exchanges based in tax havens then experienced a **significantly higher growth** in trading volumes than other exchanges, but the same wasn't seen for other investments like stocks or gold. Several Bitcoin booms are directly related to tax evasion events like the Paradise Papers and the Pandora Papers.

Cryptocurrency investing gets regulatory backing

The approval of Bitcoin exchange-traded funds (ETFs) in early 2024 marked a watershed moment for the cryptocurrency industry, opening the floodgates for institutional investment and bringing a new level of legitimacy to digital assets. For the first time, institutional investors—ranging from hedge funds to pension funds—had a regulated and straightforward avenue to invest directly in Bitcoin without the complexities and risks of holding the cryptocurrency themselves. This move not only made Bitcoin more accessible to traditional finance but also significantly boosted its appeal as a credible investment vehicle.

The momentum behind Bitcoin ETFs gained an even greater surge following Donald Trump's re-election. In the days immediately after his victory, inflows into Bitcoin ETFs skyrocketed, underscoring the newfound confidence in the asset class. On 11 and 12 November alone, a staggering $2 billion flowed into Bitcoin ETFs, reflecting the market's optimism about a cryptocurrency-friendly administration.

A key beneficiary of this surge has been BlackRock's iShares Bitcoin Trust, which has quickly emerged as a dominant force in the ETF market. Since its launch in 2024, the fund has attracted over $40 billion in capital, an unprecedented achievement that makes it the most successful ETF of the decade. BlackRock's involvement, as the world's largest asset manager, has further legitimised Bitcoin as an asset class, signalling to institutional investors that cryptocurrencies are no longer a fringe investment but a mainstream opportunity.

The success of Bitcoin ETFs represents more than just a milestone for the cryptocurrency industry—it highlights the growing convergence between digital assets and traditional finance. By providing a regulated and transparent investment vehicle, these ETFs have alleviated many of the concerns that have historically deterred institutional investors, such as custody risks and regulatory uncertainty. Furthermore, the accessibility of ETFs has enabled a broader spectrum of investors to participate in the cryptocurrency market, from retail investors to large-scale financial institutions.

BlackRock's dominance in the ETF space also reflects a broader trend: the increasing consolidation of cryptocurrency-related financial products under the umbrella of major financial institutions. This development has positive implications for the long-term stability and scalability of the cryptocurrency market—at least while the regulatory environment allows for it—as institutional participation brings not only capital but also a level of discipline and market maturity.

The approval and subsequent success of Bitcoin ETFs, particularly in the wake of Trump's election victory, underscore a pivotal shift in how digital assets are perceived and integrated into the broader financial ecosystem. With billions of dollars now flowing into these funds, Bitcoin has cemented its position as a critical asset in the portfolios of institutional and retail investors alike, paving the way for continued growth and adoption.

The ‘crypto-bro’ Trump Administration

President Trump has positioned his administration as a staunch advocate for cryptocurrencies, pledging to make the US “**the crypto capital of the planet**.” Crypto-lobbyist Paul Atkins was named as SEC chair. Atkins is a former SEC commissioner—widely seen as its most **conservative, anti-regulatory member**—and has also called for increased enforcement against fraud. Since 2017, Atkins has been a member of the Token Alliance, a cryptocurrency advocacy organisation.

Trump also created a presidential advisory council for digital assets, bringing together key stakeholders in the cryptocurrency industry to shape policy and advise on regulatory frameworks. Trump has also **taken action** against the creation of a US central bank digital currency (CBDC). While many countries are exploring or developing CBDCs, Trump has argued that such initiatives pose a threat to financial freedom and decentralisation. His administration’s rejection of a government-controlled digital currency is viewed as a win for private cryptocurrencies like Bitcoin, which operate outside of traditional centralised financial systems.

Trump has assembled a pro-crypto team to shape his administration’s policy. **Key appointments include:**



David Sacks, former PayPal COO, as White House AI and Cryptocurrency Czar, tasked with creating regulatory clarity for digital assets.



Bo Hines, Executive Director of the newly formed Crypto Council, focusing on balancing innovation with consumer protection.



Paul Atkins, a former SEC commissioner, as the new chair of the SEC, signalling a lighter regulatory touch.



Sriram Krishnan, Senior Policy Advisor for AI, who will align blockchain and AI strategies.



Stephan Miran, Chair of the Council of Economic Advisors, advocating for integrating blockchain into economic policy.

Bitcoin’s volatile growth

Since its inception in 2009, bitcoin has been characterised by significant price fluctuations. Over the past decade, it has seen both meteoric rises and sharp declines:

- **2017:** From $1,000 in January to nearly $20,000 in December.
- **2018:** A steep drop below $4,000.
- **2020–2021:** A surge from $7,000 to a peak of $69,000 in November 2021.
- **2022:** A “crypto winter” brought bitcoin below $20,000.
- **2023:** A recovery to $42,000 by year-end.
- **2024:** The year Bitcoin bounced back to over $90,000
- **2025:** Where will Bitcoin go next?

The Crypto challenge for DAC6 and MDR

DAC6, the EU's tax transparency directive, requires intermediaries such as law firms, accountants and tax advisers, to report cross-border arrangements that could be used to reduce tax liabilities. But with crypto's pseudonymous transactions, decentralised finance (DeFi) structures, and evolving tax treatment across jurisdictions, tracking and reporting cryptocurrency under DAC6 is becoming a compliance nightmare.

DAC6 was designed to combat aggressive tax avoidance by identifying potentially abusive cross-border tax planning arrangements. It requires intermediaries—including law firms, tax advisors, and financial institutions—to report certain transactions that meet specific hallmarks, particularly those that obscure beneficial ownership or involve deductible payments to low-tax jurisdictions.

But the rise of crypto is exposing significant gaps in DAC6 and MDR enforcement:

The anonymity and complexity of crypto transactions

Crypto transactions are not as easily traceable as traditional financial transfers. While blockchain records are public, sophisticated users leverage privacy coins, mixers, and decentralised exchanges to obscure transaction origins and destinations. This makes it difficult for tax authorities and regulated intermediaries to determine when a reportable DAC6 event has occurred.

Taxpayers are increasingly using crypto to shift profits across jurisdictions in ways that are difficult to track under existing DAC6 hallmarks. This includes:

- Converting taxable fiat income into crypto before transferring it across borders.
- Using stablecoins and DeFi lending platforms to move funds without triggering traditional banking compliance checks.
- Exploiting differential crypto tax treatments across jurisdictions, such as the lack of clear regulations in certain tax havens.

What is the tax reporting role of crypto exchanges and intermediaries?

Under DAC6, the responsibility for reporting falls on “intermediaries” facilitating cross-border arrangements. But crypto’s decentralised nature challenges this concept.

- If an individual moves assets via a decentralized exchange (DEX) with no formal company structure, who is responsible for reporting?
- If a company structures payments using smart contracts rather than traditional financial institutions, does this circumvent DAC6 obligations?
- What happens when an offshore crypto custodian interacts with EU clients but lacks a direct reporting requirement under DAC6?

These ambiguities are leading to inconsistent compliance approaches, with some entities over-reporting out of caution while others under-report, assuming enforcement is weak. For instance, in peer-to-peer transactions or when using decentralised platforms without identifiable facilitators, it remains unclear who bears the responsibility for reporting. Similarly, the use of smart contracts, which automate transactions without human intervention,blurs the lines of accountability. These uncertainties not only expose gaps in regulatory frameworks but also leave businesses and individuals navigating a landscape of inconsistent interpretations, leading to both over-compliance and regulatory blind spots.

A potential crypto-related DAC6 breach could involve a company using cryptocurrency to obscure cross-border payments and avoid tax liabilities.



Scenario:
A multinational company structures payments to its subsidiaries in different EU countries using a series of complex transactions through decentralised exchanges (DEXs) and smart contracts. By converting funds into cryptocurrency and routing them through multiple wallets, the company obscures the origin and destination of the funds. This setup might be designed to exploit differences in national tax regimes, effectively shifting profits to low-tax jurisdictions without triggering traditional financial reporting mechanisms.

DAC6 Breach:
Under DAC6, intermediaries are required to report cross-border arrangements that exhibit certain hallmarks of tax avoidance, such as efforts to conceal beneficial ownership or arrangements designed to undermine tax transparency. In this case, if tax advisors, legal consultants, or even platform developers knowingly facilitated or advised on this structure without reporting it, they could be in breach of DAC6. However, due to crypto's decentralised nature, identifying who qualifies as an intermediary can be challenging, leading to potential non-compliance. If the arrangement eventually comes to light, both the company and any involved intermediaries could face penalties for failing to meet their reporting obligations.

Scenario:
An individual high-net-worth investor based in the EU acquires substantial cryptocurrency holdings and uses them to shift assets between multiple offshore wallets located in tax havens such as the Cayman Islands or the British Virgin Islands. The individual moves the crypto through decentralised exchanges (DEXs) and privacy coins to obscure the transaction trail. Eventually, the individual converts some of these assets back into fiat currency through offshore accounts, avoiding capital gains tax in their home country.

To facilitate this, the individual consults with tax advisors, lawyers, and accountants who help structure the transactions to minimise tax liabilities. These professionals may suggest using complex ownership structures, trusts, or shell companies in low-tax jurisdictions to further obscure the beneficial ownership of the assets.

DAC6 Breach:
Under DAC6, those intermediaries—tax advisors, lawyers, and accountants—are obligated to report cross-border arrangements that exhibit hallmarks of tax evasion or aggressive tax planning, such as transactions routed through opaque jurisdictions or efforts to conceal the beneficial ownership of assets. In this scenario, if the advisors knowingly assist in structuring the transactions without filing a report under DAC6, they could be in breach of their reporting obligations.

Even if the professionals believe the decentralised nature of crypto exempts them from DAC6, the hallmark criteria related to tax avoidance and use of tax havens still apply. Their failure to report could result in significant penalties, as the responsibility to comply with DAC6 remains regardless of whether the assets are in traditional or digital form.

The Trump factor: Deregulation and tax enforcement concerns

One of the key drivers behind the current optimism in the cryptocurrency market is the prospect of deregulation under Trump's leadership. During his campaign, Trump vowed to reduce regulatory barriers surrounding cryptocurrency trading and innovation, setting the stage for a more open and supportive environment. By scaling back restrictions imposed by federal agencies like the Securities and Exchange Commission, the administration is fostering an atmosphere that encourages investment and innovation in digital assets.

The anticipated deregulatory approach includes a less stringent regulatory framework that could allow for the proliferation of new cryptocurrency-related products and services, making it easier for both businesses and consumers to engage with digital assets. Furthermore, Trump's establishment of a presidential Cryptocurrency Council and his commitment to making the US a hub for cryptocurrency innovation has signalled to investors there are four more years of a pro-crypto administration.

Trump's **proposed tax reforms** are another critical factor driving enthusiasm in the cryptocurrency market. By lowering the capital gains tax rate, the administration aims to make investing in assets like Bitcoin more attractive to both retail and institutional investors. A reduction in capital gains tax would allow investors to retain a larger share of their profits from cryptocurrency trades, encouraging increased participation in the market.

DAC6 Solution



Even more impactful is Trump's **proposal to eliminate taxes** on US-based cryptocurrencies like Bitcoin and XRP. By making these digital assets tax-free, the administration is providing a powerful incentive for investors to favour American cryptocurrencies over foreign competitors, such as Ethereum, which is primarily based outside the US. This move not only aligns with Trump's "America First" agenda but also has the potential to drive substantial capital inflows into US-based crypto markets.

For businesses, these tax reforms offer an additional layer of incentive. Lower taxes on crypto-related transactions and holdings could reduce operational costs and increase profitability, making it more attractive for companies to integrate cryptocurrency into their operations. This could lead to wider adoption of Bitcoin and other digital assets as a means of payment, investment, and innovation.

Together, deregulation and tax reforms represent a powerful combination that could redefine the trajectory of the cryptocurrency market in the US. By removing regulatory barriers and providing tax incentives, the Trump administration is laying the groundwork for accelerated growth and adoption of digital assets. These measures are not only enticing existing investors but are also likely to attract new market participants, ranging from retail investors to institutional giants.

The broader implications of these policies extend beyond Bitcoin. A crypto-friendly regulatory and tax environment could stimulate innovation across the blockchain ecosystem, driving advancements in decentralised finance (DeFi), tokenisation, and Web3 technologies. As the US positions itself as the "crypto capital of the planet," the impact of these reforms will likely ripple across global markets, influencing how other nations approach cryptocurrency regulation and adoption. While the full implementation of these policies will take time, the early signs of market confidence reflect the transformative potential of Trump's pro-crypto agenda.

The impact of crypto deregulation on DAC6 and MDR compliance

The impact of the Trump administration on crypto has already been felt. As legislative, executive and judicial actions unfold throughout the administration and beyond, the impact for tax compliance could mean:

- Weaken US tax enforcement on crypto, making it easier for taxpayers to move funds into unregulated or lightly regulated digital assets.
- Withdraw or renegotiate international tax cooperation agreements, reducing pressure on crypto platforms to comply with DAC6-like disclosure regimes.
- Encourage tax havens that accommodate crypto-friendly policies, exacerbating the compliance burden for EU-based intermediaries.

A Trump-era shift in global tax policy could embolden tax-aggressive strategies involving crypto, further complicating DAC6 enforcement.



Tax advisors, financial institutions, and other intermediaries subject to DAC6 and MDR now face an overwhelming challenge with the rapid growth and mainstreaming of crypto currency:

Increased reporting burden: Given the uncertainties, many entities are erring on the side of over-reporting, leading to compliance fatigue.

Regulatory grey areas: The lack of clear crypto-specific DAC6 guidance leaves compliance teams struggling to determine when an arrangement is reportable.

High-risk clients: Firms dealing with crypto-savvy clients must invest in enhanced due diligence to ensure they are not inadvertently facilitating unreported tax avoidance schemes.

The need for a crypto-specific DAC6 response

As cryptocurrencies become increasingly integrated into global financial systems, the intersection of crypto, tax evasion, and DAC6 presents an escalating challenge for compliance professionals. The decentralised and borderless nature of crypto assets allows individuals and corporations to exploit regulatory grey areas, particularly when structuring cross-border arrangements designed to obscure ownership and minimise tax liabilities. Current DAC6 frameworks, which were primarily designed with traditional financial transactions in mind, lack the specificity and adaptability needed to address the unique risks posed by digital assets.

Solution – double down on DAC6 compliance for the crypto age

To effectively mitigate these risks, compliance professionals and intermediaries must take proactive steps to fortify DAC6 in the face of crypto's rapid evolution. This requires more than just minor adjustments; it calls for a comprehensive strategy that acknowledges the distinctive characteristics of blockchain technology and decentralised finance. Key actions include:

Clarifying how DAC6 applies to crypto transactions:
Compliance teams must provide their firms with clear guidance to define who qualifies as an "intermediary" in decentralised transactions. For example, should developers of smart contracts or operators of decentralised exchanges bear reporting obligations? Guidance must also address how hallmark criteria apply to complex crypto arrangements, such as those involving privacy coins, cross-chain swaps, or offshore wallets in tax havens.

Strengthening internal controls against tax-driven crypto schemes:
Firms must proactively equip their compliance teams with the tools and expertise needed to identify and address crypto-related tax risks. This involves investing in blockchain forensic software to trace transactions across pseudonymous networks and training staff to recognise the hallmarks of tax-driven crypto schemes. Compliance teams should also establish robust internal protocols for assessing whether crypto transactions fall under DAC6 reporting obligations. Regular audits and risk assessments will help ensure that both intentional evasion and inadvertent reporting failures are swiftly identified and addressed. Firms should also implement clear consequences for non-compliance within their own operations, reinforcing a culture of accountability and vigilance.

Enhancing cross-border compliance to close reporting loopholes:
Given the global nature of crypto transactions, firms cannot rely solely on domestic compliance frameworks. Instead, compliance teams should actively monitor international developments in crypto regulation and align their DAC6 reporting processes with global standards, such as the OECD's Crypto-Asset Reporting Framework (CARF). This approach helps prevent regulatory blind spots and reduces exposure to cross-border tax risks. Firms operating in multiple jurisdictions should establish internal protocols for sharing compliance knowledge across offices, ensuring consistent reporting practices worldwide. Collaborating with international legal and tax experts can also help firms stay ahead of evolving regulatory expectations and minimise the risk of regulatory arbitrage.

DAC6 and crypto: A global tax evasion time bomb

Without critical action, the convergence of crypto's rise and potential shifts in global tax policy could create a perfect storm. The second Trump presidency is ushering in a golden age of crypto in the United States, which at the same time has the potential to weaken international tax enforcement efforts and emboldening aggressive tax planning strategies worldwide. This, combined with the proliferation of crypto technologies that enable anonymous and decentralised financial activities, risks creating a global tax evasion time bomb—one that DAC6, in its current form, was never designed to defuse.

In this evolving landscape, compliance professionals must act decisively to ensure DAC6 remains a robust tool capable of addressing the complexities of the crypto era. Failure to do so will not only undermine tax transparency across the EU but could also set a dangerous precedent for financial systems worldwide.

How VinciWorks can help

Omnitrack

VinciWorks has built a best-practice modern slavery reporting solution that allows businesses to collect all necessary data from their suppliers, easily flag high-risk countries and take any action required to reduce the risk of slavery in the supply chain. Using our Omnitrack system, vendors can be quickly and simply onboarded and reported on at the touch of a button. Pre-built forms include a range of ESG factors including environment, climate change, modern slavery and anti-bribery and corruption.

- Our central database allows you to track and record all supplier information in one place, avoiding lost or missing data
- Use one dynamic form that adapts the question set depending on the profile of the supplier and the responses submitted
- Easily understand the data and identify risks via a graphical dashboard
- Complex compliance requirements are hard to get right. We offer best practice workflows developed with leading law firms to ensure full compliance with regulatory needs.
- Automated flagging and sorting surfaces high-risk submissions and escalates via email where needed, allowing multiple stakeholders to review data
- API functionality allows you to integrate data with external data sources

Contact us for a demo

Training

Training is one of the key ways to support modern slavery efforts. We advised a business recently who have hundreds of employees who are going into commercial properties multiple times a day, but they only train their procurement staff on modern slavery. If they trained the staff who are regularly visiting sites on how to spot the signs of modern slavery, they would be able to highlight how they are taking action against modern slavery by having hundreds of eyes and ears out there and seeing what's going on in these places and potentially reporting a suspicion.

Our online modern slavery training will help your business avoid involvement in any activity that equates to modern slavery and falls foul of the regulations, either directly or by proxy through supplier relationships. Our training suite offers a variety of training options for companies to use as part of their internal compliance programs. Our courses are designed to meet the needs of an entire organisation, from general staff to procurement teams.

Learn more about our training

DAC6 Solution

About Us

We believe compliance enables business. Compliance is an opportunity to be one step ahead, so your organisation can focus on advancing the business.

For over 20 years, VinciWorks has been at the leading edge of re-envisioning compliance tools and training. Our creative and driven team works hard everyday, challenging the traditional compliance industry to become forward-thinking, interactive and engaging. From our vast library of 800+ courses, to the award-winning Omnitrack training and compliance management software, to a curated catalogue of world class resources, VinciWorks is here to support your organisation every step of the way.

We constantly have our finger on the pulse, being the first to adapt our products to new regulations and market changes that impact our customers' businesses. Our flexible solutions ensure that every one of our products is tailored to our customers' unique business needs, placing them at the heart of everything we do.

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