



## Do I need to report my crypto wallet to the authorities ?

Investing in crypto can potentially result into an **unpredictable Belgian tax treatment** of your crypto proceeds, but also brings **certain compliance requirements**. As authorities worldwide want to **better monitor transactions** involving crypto assets and implement **anti-money laundering (AML) regulation**, the EU has introduced **DAC8** to increase transparency and combat potential tax fraud. Crypto investors should expect **more complex cross-border compliance demands** as of 1 January 2027. **Documenting** your crypto transaction is therefore key.

Cryptocurrency markets are particularly vulnerable to a **range of financial and other crimes**. In their fight against money laundering, terrorist financing and tax evasion, banks are **reluctant to accept proceeds that derive from cryptocurrency transactions** if they cannot validate the **origin of the funds**. It is a fact that if you transfer fiat currency to a *Virtual Currency Exchange (VCE)* to buy digital currency, you take your funds **out of the traditional banking system**. Banks and other financial institutions obviously do not like this. You may experience difficulties when transferring your crypto profits **back to your personal bank account** afterwards.

If you do **not invest** in crypto **as a business**, but as a **private investor**, your crypto proceeds will often remain **tax-free** in Belgium. Gains realized by a private individual are **not taxable** in Belgium if this takes place within the scope of a '*normal*' *management of your privately held assets*. Even if you can demonstrate that you **meet all the conditions for a tax exemption**, banks will **not be eager to accept your money**. As crypto investing often includes **multiple transactions**, it will not be easy to document the money's entire trajectory afterwards. Furthermore, the transfer will be done from a **foreign account**, that is often unknown to your Belgian bank.

Crypto investors are also required to report their **foreign bank accounts** to the Belgian authorities. There is a **one-time report** you need to submit to the *Central Point of Contact (CPC)* of the *National Bank of Belgium (NBB)*, as well as include this **every year** in your **resident income tax filing**. Your wallet itself is **not an account**, but a **software application** for holding, storing and transferring virtual currency. Wallet storage may be 'cold', meaning held offline (such as on a USB drive) and plugged in only when needed, or 'hot', meaning held online (for example in one of many crypto wallet applications). It can be **custodial** when virtual currency is **held by a third party**, whereas a **non-custodial wallet** is one in which the currency owner keeps his own private keys.

Only wallets held on a **foreign server owned by a third party** (e.g. *Coinbase, Kraken, etc.*) need to be declared to the CPC. With regard to **decentralized exchanges** without a trusted intermediary (DEX), there are **practical difficulties** that currently prevent you from reporting your wallet. In any case, only the 'public key' will be the subject of a reporting and never the 'private key'. Wallets that are held **directly by investors** are **not** subject to a reporting requirement either.

TAXPATRIA® can assist you with your **foreign crypto account reporting** and any **necessary dealings** with the Belgian tax authorities.