

DAC8 implementation approaching – What you need to know by the end of 2025 3/21/25



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Starting from 1 January 2026, the Directive on Administrative Cooperation in the field of crypto-assets (DAC8), adopted in 2023, will come into force. It will require service providers and platform operators to report to the State Revenue Service (SRS) on sellers of certain types of crypto-assets. As a result, the legal framework of the Republic of Latvia (RoL) is currently being updated to ensure compliance with the requirements of the Directive. A draft law has recently been prepared clarifying the application of exemptions in relation to the scope of information to be reported.

DAC8 framework

As previously outlined in our articles, DAC8 aims to provide tax administrations across the European Union (EU) with information on crypto-asset transactions and the individuals involved — specifically, sellers (i.e., persons engaging in selling activity through a reportable trading platform).

The information collected from each Member State will be used at the EU level to prevent potential tax evasion within the crypto-asset market.

The Directive will be transposed into Latvian national legislation through amendments to the Law On Taxes and Duties, Cabinet Regulation No. 210 of 14 April 2020, and other related Cabinet regulations. These amendments are currently in the external coordination process before being submitted for approval by the Cabinet of Ministers and the Saeima.

Crypto-assets are defined in accordance with the MiCA regulation, and, as clarified by Latvijas Banka (the Bank of Latvia), include the following types of assets:

1. Asset-referenced tokens (ARTs);
2. E-money tokens (EMTs);
3. Significant ARTs/EMTs;
4. Other crypto-assets, provided they are non-fungible, transferable, and have an identifiable issuer — and are not explicitly excluded from MiCA's scope (e.g., utility tokens).

At the same time, crypto-assets subject to DAC8 reporting do not include electronic money or central bank digital currencies (CBDCs).

Under DAC8, the reporting obligation will apply to entities that provide platforms for executing transactions involving such crypto-assets, meaning platform operators or service providers facilitating these activities:

1. **Crypto-asset service providers** – legal entities that provide one or more crypto-asset services

and have received a service provision license from a competent authority of an EU Member State (for example, in Latvia, such licenses are issued by Latvijas Banka);

2. **Crypto-asset operators** – persons who provide crypto-asset services but do not meet the above definition of a service provider (for instance, a person who grants access to and controls a trading platform to an extent that enables compliance with due diligence and reporting obligations).

It is important to note that not only EU-established companies will be subject to the reporting obligation — crypto-asset service providers and operators from third countries will also be required to register in an EU Member State in order to comply with the reporting requirements.

According to the current draft of the legislation, service providers and operators will be required to report transactions in the following categories:

1. Exchange transactions between a **crypto-asset** and **traditional** (officially issued) **currency** — i.e., currency issued by a state or central bank, whether in physical or digital form;
2. Exchange transactions between **one or more crypto-assets**.

Accordingly, starting 1 January 2026, reporting entities will be required to submit annual reports to the State Revenue Service (VID) on crypto-asset transactions (including both trading and investments) carried out during the previous year. If the reporting entity fails to meet the reporting deadline, the VID will have the right to impose a fine of up to EUR 14,000.

The detailed procedures for submitting information will be determined in subsequent Cabinet regulations.

Relief

The Directive provides the option to apply a reporting relief regarding the amount of information that must be submitted. If a seller can access the reporting platform using an authentication solution developed by any EU Member State (for example, eSignature, Smart-ID, or online banking authentication), the reporting entity may submit reduced information about the seller:

1. Seller's name (for individuals – given name and surname);
2. Name (identifier) of the authentication solution;
3. Country of origin of the identifier.

Latvia must implement the provisions of the Directive by 31 December 2025. Accordingly, it is planned that this reporting facilitation will enter into force at the same time as the provisions of the Directive are transposed into Latvian law.