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## Taxation of Virtual Digital Assets (VDA)

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India has finally taken steps to adopt cryptocurrencies in the country. In her budget speech, Finance minister Nirmala Sitharaman stated that the government plans to tax 30% on the income gained from the transfer of virtual digital assets. Along with this, the Reserve bank of India plans to launch its own digital currency from the 1st of April 2022.

The Financial budget of 22-23 also mentions that a TDS of 1% will be charged on virtual currency payments of Rs 10,000 above in a year. The government has set a ceiling of Rs 50,000 a year for certain groups which shall include persons who get their accounts audited under the I-T Act. The provision for charging 1% TDS will be applicable from 1st of July 2022.

The Finance minister stated that the Digital rupee by the RBI is yet to be named, and all other private cryptocurrencies in the market are subjected to tax. In the press briefing, the minister reiterated that “A currency is a currency only when it is issued by the central bank, even if it is a crypto. But, everything outside of that which all of us refer to as currency, they are no currencies. We are not taxing currency.”

She stated that the RBI will issue the digital currency and anything apart from it will be treated as a virtual/ transacting asset, and if a profit is being made from it, the government shall charge 30% tax on that profit.

As the market space for digital assets is growing, the magnitude and frequency of the transactions are at its peak. Due to this, the government has decided to introduce regulations to monitor and tax these assets.

“Transactions happening in the crypto world will be taxed,” said Sitharaman. The TDS is being charged to keep a track of revenue trails in cryptocurrencies. On the other hand, in cases of digital asset it will be taxed in the hands of the recipient.

The government had earlier planned to introduce regulations regarding cryptocurrencies in the winter session of parliament, but the session ended and the The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021 was not tabled.

The digital currency and NFTs have gained a global popularity in the past few years. These transactions had increased in multifold. However, India was unprepared for it and did not have any proper policy to regulate them, but with these regulations, the government has taken a step forward to implement rules regarding these digital assets in the country.



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