



What you need to do about Taxation of Virtual Digital Asset or Crypto Currency?

Due to the increase in the frequency and avolume of transactions of Virtual Digital Assets (VDA), the Finance Act 2022 has introduced a new Section 115BBH for taxation of VDA including Crypto Currencies. Section 115BBH will be applicable from the AY 2023-24 (FY 2022-23).

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LET'S CHECK SOME KEY POINTS!!!

- Definition of Virtual Digital Asset
- Rate of tax
- Deduction or Exemption
- No Set off or Carry Forward
- Indexation Benefits
- TDS Rate
- Taxability of gift
- Impact on Non-Residents, NRIs



Definition of Virtual Digital Asset

- Any information, code, number or token (not being Indian currency or foreign currency)
- Generated through cryptographic means or otherwise, by whatever name called.
- Providing a digital representation of value exchanged with or without consideration.
- The promise or representation of having inherent value, or functions as a store of value or a unit of account including its use in any financial transaction or investment, but not limited to investment scheme, and can be transferred, stored or traded electronically.

Rate of tax

Gains from various Virtual Digital Assets such as Bitcoin, Ethereum, etc. will be taxed at a flat rate of 30%.

Deduction or Exemption

Except for the cost of acquisition, no deduction in respect of any expenditure will be allowed in profit computation.

No Set off or Carry Forward

The losses from transaction in Virtual Digital Assets shall only be set off against gains from transactions in Virtual Digital Assets and shall not be available for set off against any other income. And such loss shall not be allowed to be carried forward to subsequent assessment years.

Indexation Benefits

No Indexation benefits are allowed.

TDS Rate

As per Section 194-S, 1% TDS for every transaction of virtual digital assets to be effective from 1 July 2022. The threshold limit for TDS would be INR 50,000/year for specified persons (Individuals/HUFs) and Rs.10,000/- (in any other case).

Taxability of gift

Income arising from gift, or from transfer of virtual digital assets for inadequate consideration, shall be taxed in the hands of recipient.

Impact on Non-Residents, NRIs

With the arrival of new provisions relating to the trading of VDA, NRI's got a clear idea about the taxation and tax rates. Although the tax rate is comparatively higher, the processes and procedures now became clear.

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