

Crypto Tax Rules in India Explained: ITR, Airdrops, NFTs, TDS & Income

July 30, 2025

— Categories: *Crypto*



[Download IPFS](#)

India's tax authorities have laid out clear guidelines for the taxation of cryptocurrencies, treating them as virtual digital assets (VDAs) under the Income Tax Act. This article outlines how crypto-related income is taxed, what forms need to be filed, and how specific events like airdrops, non-fungible tokens (NFTs), and trading profits are classified under Indian law.

Under Section 115BBH of the Income-tax Act (I-T Act), any gains arising from the transfer of VDAs, including cryptocurrencies and NFTs, are subject to a flat 30 per cent tax rate. Taxpayers are permitted to deduct only the cost of acquisition when computing gains; no

other deductions for expenses or losses (including losses from other VDAs or businesses) are allowed. This high rate and strict limitation on deductions place a considerable burden on individual and business taxpayers involved in the digital asset space.

To ensure compliance, the Central Board of Direct Taxes (CBDT) mandates the declaration of VDA-related income under specific categories in the annual Income Tax Return (ITR) forms. The applicable ITR form depends on the nature of income. For example, if income from crypto is considered capital gains, individuals should report it under Schedule CG (Capital Gains). However, if trading in VDAs is conducted frequently and resembles business activity, the income may need to be reported under 'profits and gains from business or profession' (PGBP) in Schedule BP.

The treatment of airdrop tokens, crypto assets distributed for free, is also clarified. Airdrops are typically considered taxable income at the fair market value on the date of receipt. When these tokens are later sold, any additional gains are again taxed at 30 per cent. Similarly, the sale or exchange of NFTs, classified as VDAs, falls under the same taxation framework.

Further, India introduced a 1 per cent *Tax Deducted at Source* (TDS) on all crypto transactions exceeding a certain threshold, under Section 194S of the I-T Act. This TDS is applicable whether the transfer occurs through an exchange or peer-to-peer. Although the deducted amount can be claimed as a credit while filing the ITR, it still adds to the compliance burden for both buyers and exchanges.

The government's firm stance on taxing digital assets reflects an attempt to regulate a rapidly expanding sector while preventing revenue leakages. However, the clarity around reporting obligations is still evolving, and taxpayers are advised to maintain accurate transaction records and seek professional guidance when in doubt.

In summary, India's taxation policy on cryptocurrencies demands strict adherence. With a flat 30 per cent tax on profits, 1 per cent TDS on transactions, and tight rules on deductible expenses, individuals and businesses dealing in VDAs must approach their filings with care.