

## India Imposes a Strict Tax Regime on Crypto Gains

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— Categories: *Crypto*



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Cryptocurrency investors in India face one of the toughest tax frameworks globally, as the government continues to treat digital assets with increasing scrutiny. A flat 30% tax rate is levied on profits made from the sale or transfer of virtual digital assets (VDAs), including cryptocurrencies such as Bitcoin and Ethereum, with few allowable deductions and limited loss relief.

India's tax authority defines VDAs broadly to include any code, token, number, or information created via cryptographic means, provided they are not classified as Indian or foreign currency. This includes most commonly traded cryptocurrencies, NFTs, and similar digital tokens. These assets fall under a distinct tax category, regardless of whether the gains are treated as capital or business income.

Introduced in 2022, the tax regime stipulates that any income from the transfer of VDAs is taxed at 30%, with an additional surcharge and cess applied depending on the individual's income slab. Crucially, investors are not permitted to deduct any expenses other than the cost of acquiring the asset. This means that transaction fees, interest payments on borrowed funds, or any other related costs cannot be claimed to reduce the tax liability.

Additionally, losses from VDA trading cannot be set off against other income or carried forward to future years. This contrasts sharply with traditional stock market investments, where capital losses can be adjusted against gains to lower taxable income.

The Income Tax Return (ITR) forms now feature a dedicated section titled "Schedule VDA" specifically for reporting earnings from cryptocurrencies and other digital assets. Indian taxpayers must declare both the purchase cost and the sale proceeds of any VDAs transacted during the financial year. Gifted cryptocurrencies are also taxable in the hands of the recipient, adding another layer of compliance.

A Tax Deducted at Source (TDS) mechanism of 1% also applies to crypto transfers above a certain threshold. This measure ensures the tax