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India Deploys AI and Global Tax Rules to Rein In Crypto Evasion

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India is advancing its crackdown on cryptocurrency tax evasion by leveraging artificial intelligence (AI) and aligning with international standards under the Organisation for Economic Co-operation and Development (OECD). The nation has already collected ₹700 crore (\$818 million) in taxes since launching a comprehensive framework to regulate digital asset transactions. The Central Board of Direct Taxes (CBDT) confirmed that automated

systems are now actively matching data from cryptocurrency exchanges with income tax returns (ITRs), signaling a new era of accountability for digital asset holders.

CBDT Chairman stated that the agency is cross-referencing tax deducted at source (TDS) data from crypto platforms with individual ITRs. When discrepancies exceed ₹1 lakh (approximately \$1,200), the system automatically issues notices to taxpayers. This AI-driven initiative is backed by India's participation in the OECD's Crypto-Asset Reporting Framework (CARF), which mandates crypto platforms to collect and share transaction data across borders. These efforts are designed to limit offshore tax evasion and bring transparency to digital asset trading.

India's crypto taxation framework, introduced in 2022, includes a flat 30% tax on profits from virtual digital assets (VDAs) and a 1% TDS on all qualifying transactions. In the first fiscal year, the government collected ₹269.09 crore (\$323 million), followed by ₹437.43 crore (\$525 million) in 2023–24. This sharp increase reflects improved compliance and the use of advanced analytics to identify suspicious or undeclared crypto activity.

While India has made considerable strides, CBDT officials acknowledge that real-time data matching between ITRs and virtual asset service providers (VASPs) is still under development. Nonetheless, domestic authorities are already examining digital evidence, including crypto wallets, as part of their investigations, though access to such information is currently restricted to official tax raids or court-authorized searches.

Industry leaders have weighed in on the developments. Saravanan Pandian, CEO of crypto exchange KoinBX, recognized CARF's potential to harmonize international tax enforcement, while cautioning that its long-term implications are still unclear. Chartered Accountant Sonu Jain from 9Point Capital praised the government's balanced approach, noting that while enforcement is tightening, data privacy remains protected under existing legal safeguards.

India's strategic use of AI and global cooperation marks a significant shift toward modernized financial oversight. By embracing transparency and reinforcing compliance, the country is positioning itself as a responsible actor in the evolving global digital economy. This measured and technology-driven approach offers a blueprint for other emerging markets aiming to curb tax evasion without stifling innovation.