

How To Calculate Tax on Cryptocurrency In India?

How To Calculate Tax on Cryptocurrency In India

Crypto Crypto Crypto! Kya Hai Yeh Crypto? For the last few years, investors across the globe including India have been investing in Crypto insanely. So, before digging into How To Calculate Income Tax on Cryptocurrency India, the first one needs to understand what is this Crypto?



What is Crypto- Cryptocurrency is popularly known as Crypto. As the name itself suggests, it is a form of digital currency to effect various online transactions, such as the purchase of goods and services.

For example Bitcoin, Lite coin, Binance Coin, Solana, Tether, Dogecoin, USD Coin etc. are some popular Cryptocur in the world. It is of no use offline or it has no physical existence.

In India, it has been termed Virtual Digital Assets(VDA), i.e. the Assets that exist only digitally, to widen its reach for higher revenue collection, [Virtual Digital Assets\(VDA\)](#), i.e. the Assets which exist only digitally, to expand its reach for collection of higher revenue for Govt. Exchequer.

Actually, Cryptocurrency attracted the attention of both the G.O.I and the RBI during the lockdown phases. It is an unregulated digital product, but its volume of transactions grew manifold since the lockdown era as the equity market fell drastically. It helped the crypto market to lay its footprint in India as well.

In the Indian context: Before Budget 2022, there was no kind of recognition of Cryptocurrency in India. There was no regulator for it. But at last, Budget 2022 has felt the need to recognise Cryptocurrency by proposing the introduction of **Section 115BBH** to collect **Tax on Crypto Currency in India by @30%**.

So, Cryptocurrency is now a regulated Investment product in India like many other regular financial products. As of now one can legitimately invest in it and pay taxes accordingly. But Crypto Bill has not come yet which would make the crypto investment completely legal in India.

Income Tax on Cryptocurrency In India

The Govt. of India has recognised cryptocurrency as a legitimate financial product in India by introducing Section 115BBH of the Income Tax Act.

As per **Section 115BBH(1)**, where the total income of an Assessee includes any income from the transfer of any **Virtual Digital Asset(VDA)**, the income-tax payable shall be the aggregate of—
(a) the amount of income tax calculated on the income from the transfer of such

Virtual Digital Asset at the rate of **30%(Thirty)** and

(b) the amount of income tax with which the Assessee would have been chargeable had the total income of the Assessee been reduced by the income referred to in clause (a).

Further, Section 115BBH(2) of the said section seeks to provide that notwithstanding anything contained in any other provision of the Act,—

(a) **No deduction in respect of any expenditure** (other than the cost of acquisition) or allowance or set-off of any loss shall be allowed to the Assessee under any provision of the Act in computing the income referred to in clause (a) of sub-section (1) and

(b) **No set-off of loss from the transfer of the Virtual Digital Asset**

computed under clause (a) of sub-section (1) shall be allowed against income computed under any other provision of the Act to the Assessee and such loss shall not be allowed to be carried forward to succeeding assessment years.

Tax on Crypto currency In India

Synopsis of Tax on Crypto currency in India can be summarized as follows:-

- Tax on Crypto currency shall be **charged @30%**;
- If one has income from VDA, total Income Tax shall be calculated as per the **Five Heads of Income** under slab rates plus Tax @30% on VDA;
- **No deduction** is allowed except for the Cost of acquisition;
- **No Set off of losses** are allowed in subsequent years arising from the sale of VDA.
- VDA received as a gift shall also attract Tax @30% in the hands of the recipient;
- Loss from one VDA can not be set off from the profits/gains from another VDA;
- A **1% TDS U/s 194S** will be applicable w.e.f 01.07.2022 on the sell/transfer of a cryptocurrency/ asset, and will be set off against the cryptocurrency tax at the end of the year like other TDS laws;
- Detailed regulation on Cryptocurrency or Cryptocurrency Bill is yet to come;
- No adequate clarification is received yet regarding the classification of Income from Cryptocurrency. Such as whether it is a "**Business Income**" or "**Capital Gains**";
- Whether there is any holding period based on which it will be treated as Short term or a Long term like equity instrument or Tangible assets.

Therefore, a flat 30% tax will be charged on the profit from the transfer or sale of Virtual Digital Assets including cryptocurrency and **Non Fungible Tokens(NFTs)** from the current Financial Year 2022-23.

How to pay Income Tax on Cryptocurrency in India



It is not clear yet, whether the income from VDA would be treated as an income from **Business or Profession** or **Capital Gains**. Only budget 2022 has proposed the taxation part on the sale or transfer of virtual digital currency @30% along with Cess @4%.

Therefore, from the Budget 2022 pronouncement, it can be said that any profits, gains or income from the sale or transfer of digital assets would attract a flat tax of @30% plus Cess @4% from A.Y 2023-24.

However, **TDS @1%** shall be deducted on the transaction value of **₹50,000** or **₹10,000** as the case may be as per **Section 194S** effective from **01.07.2022** and shall be adjusted against the year-end total tax on crypto in India.

Similarly, tax on other incomes if any shall be chargeable as per the applicable income tax slabs along with 30% tax on VDA.

How to Calculate Tax on Cryptocurrency in India

As per Budget 2022, all profits or gains or income from the cryptocurrency and other VDA shall be subjected to a flat Tax @30% from the F.Y 2022-23 and AY 2023-24.

HOW TO CALCULATE

TAX ON CRYPTOCURRENCY IN INDIA

- FLAT TAX @30%
- NO SET OFF OF LOSS

arthikdisha.com

Since no cost except the cost of acquisition is allowed, the excess amount received on the sale or transfer of cryptocurrency over the cost of acquisition shall be treated as the income from cryptocurrency and it shall be subjected to a flat income tax of @30% irrespective of the income tax slabs.

For Example, A crypto investor purchased Cryptocurrency for ₹1,00,000 in April 2022 and it was sold in June 2022 for ₹1,50,000. Therefore, the income arising from the sale of cryptocurrency is ₹50,000. So, a tax that has to be paid by the crypto investor is ₹15,000(50,000 X 30%).

Cryptocurrency Tax Calculator India

Say your investment amount in cryptocurrency is ₹5,00,000 and the sale price of Crypto Assets is ₹12,00,000. Now let's see how Cryptocurrency Tax **Calculator** India fetches the results of Tax on Crypto in India.

So, from the Cryptocurrency Tax Calculator India, you can check that your total Tax on Crypto Currency comes to ₹2,10,000.

How to save Tax on Cryptocurrency

One important question is roaming around in the minds of every crypto investor i.e. how to save Tax on cryptocurrency. They are asking many experts to find out some tricks and tips to completely avoid a 30% Tax on Cryptocurrency.

One immediate solution is "**Don't sell it now, sell it later**" to save Tax on cryptocurrency. But this is not how one can save tax on cryptocurrency in India.

Factually, it is not possible right now to save tax on Cryptocurrency in India as tax is applicable on the Income, Profits or Capital Gains arising from the sale or transfer of Cryptocurrency.

Therefore, saving tax on crypto is possible maybe when a complete package of Cryptocurrency Bill is published by the Government to find out what are the ways to save cryptocurrency tax.

What is the Crypto Tax India Date

From 1st April 2022, income from Cryptocurrency is subjected to Income Tax as per the notification in the Budget 2022 by newly introduced **Section 115BBH**. However, **TDS @1%** on the transaction value over a specified amount shall be applicable from **1st July 2022** as per **Section 194S of the I.T Act**.

Is 30% Tax on Crypto?

Yes, to discourage people from investing in such a very very volatile digital currency, the Government has proposed to charge Tax @30% on the profits or gains on it.

But one should keep in mind that Taxing Crypto in India does not mean that it is regulated and legal but curbing unnecessary investment by people randomly and restricting losing their hard-earned money.

But still one can say that Government has acknowledged it by introducing a taxation policy on this investment. But till now no such regulation or bill on crypto exists in India.

Experts are of the view that considering the rise in crypto investment across the globe, Government must come forward to make it a regulated product or currency to be used online.

arthikdisha.com