

TAXATION OF VIRTUAL DIGITAL ASSETS (CRYPTOCURRENCIES & NFT)



INTRODUCTION

Virtual Digital Assets, especially cryptocurrencies & Non-Fungible Tokens (NFTs), have gained tremendous popularity in recent times and the volumes of cryptocurrency trading has increased substantially. With a view to bring clarity for taxation of such assets, provisions to define such assets, provide for the taxation from income arising from transaction in such assets and TDS provisions are introduced.

A new section 2(47A) is proposed to be inserted by Finance Bill'2022, which defines virtual digital assets to mean any information or code or number or token (not being Indian currency or any foreign currency) generated through cryptography which provides a digital representation of value exchanged with or without consideration. Non-fungible tokens (NFTs) are included as well, in addition to cryptocurrencies.

APPLICABILITY

These regulations are expected to go into effect on April 1, 2022

TAXABILITY OF VIRTUAL DIGITAL ASSET UNDER SECTION 115BBH

Similarly for taxation of virtual digital asset, Section 115BBH is also proposed in finance Bill, 2022. In section 115BBH, the income from transfer of any virtual digital asset shall be taxable at the rate of thirty percent. No deduction in respect of any expenditure except cost of acquisition shall be allowed while calculating tax under section 115BBH. Hence the word cost of acquisition has been used in union budget 2022, so no indexation would be allowed in case virtual digital asset is held by assessee more than thirty six months.

No set off of any loss from transfer of the digital virtual asset shall be allowed against income computed under any other provision of the act.

No loss on account of digital virtual asset shall be carried forward to succeeding assessment years.

TAX DEDUCTION AT SOURCE UNDER SECTION 194S

To have a check on the transactions of virtual digital asset, a new section 194S has been proposed in Finance Bill 2022. As per section 194S, any person responsible for paying to a resident, any sum of money by way of consideration for transfer of virtual digital asset, shall deduct tds at the rate of one percent. Tds shall be deducted at the time of credit of such sum to the account of the resident or at the time of payment of such sum by any mode, whichever is earlier.

In case the consideration for transfer of virtual digital asset is paid in kind or partly in cash or partly in kind, then person responsible to pay the consideration shall ensure before releasing the consideration that tax has been paid in respect of such consideration for transfer of virtual digital asset.

No tax shall be deducted where the consideration is payable by specified person to a resident and the value or aggregate of such consideration does not exceed fifty thousand rupees during the financial year.

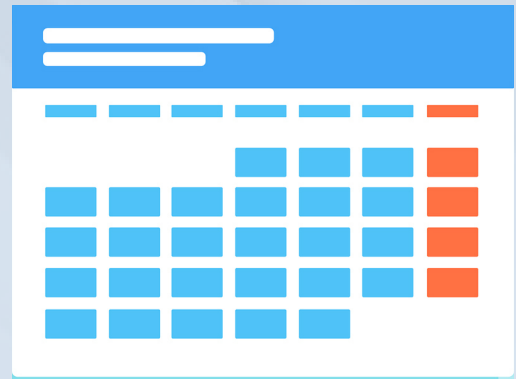
In case consideration is payable by a person other than specified person, then no tax shall be deducted where consideration value does not exceed ten thousand rupees during the financial year.

Here specified person means a person being an individual or HUF, whose total sales, receipts or turnover from the business does not exceed one crore rupees and in case of profession it does not exceed fifty lakh rupees during the financial year immediately preceding the financial year in which such virtual digital asset is transferred.

In case individual or HUF does not have any business or profession income then such individual or HUF shall also be specified person under section 194S of income tax Act.

In case the consideration towards transfer of virtual digital asset is payable by specified person then section 203A does not apply and there is no need to have Tax deduction account number. PAN will be used by deductor for the purpose of section 194S.

COMPLIANCE CALENDER FEBRUARY 2022



GST	
GSTR 3B JAN 2022 (Turnover in the previous financial year more than Five Crores)	20-02-2022
GSTR 3B JAN 2022 (Others)	22-02-2022
GSTR 1 JAN (Turnover more than Rs. 1.5 Crores)	11-02-2022
Income Tax	
Deposit of TDS	07-02-2022
ESI	
Payment for the month of JAN 2022	15-02-2022
PF	
Payment for the month of JAN 2022	15-02-2022
Return Filing for the month of JAN 2022	25-02-2022