



Crypto and Virtual Digital Assets: 30% Tax, 1% TDS and No Loss Set-Off (Tax Year 2026-27)

Description

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Quick summary

- Income from the transfer of a virtual digital asset (crypto-assets, NFTs and similar tokens) is taxed at a flat 30% under section 194 of the Income-tax Act, 2025, whatever the holding period and whether it is a capital asset or not.
- Only the cost of acquisition is deducted; no other expense or allowance is allowed, and a loss on one VDA cannot be set off against any other income, including a gain on another VDA, or carried forward.
- The person paying the consideration for a VDA deducts 1% TDS with no threshold (section 393(1), Table serial 8(vi)).
- A gift of a VDA above ₹50,000 from a non-relative is taxable in the hands of the receiver.

India taxes cryptocurrency and similar assets under a special regime that is harsher than the rules for shares or property. It is in section 194 of the Income-tax Act, 2025 (earlier section 115BBH), with TDS in section 393. This post sets out how it works for tax year 2026-27.

What is a virtual digital asset

Section 2(111) covers:

- any **information, code, number or token** (not Indian or foreign currency), generated through cryptographic means or otherwise, which gives a digital representation of value, with the promise of inherent value or functioning as a store of value or unit of account, and which can be transferred, stored or traded electronically;
- a **non-fungible token (NFT)** or any other token of similar nature;
- any other **digital asset notified** by the Central Government; and
- any **crypto-asset** that is a digital representation of value relying on a cryptographically secured distributed ledger or similar technology to validate and secure transactions.

The Central Government may notify a digital asset to be excluded from the definition.

The tax: section 194(1), Table serial 4

Point	Rule
Income covered	Any income from the transfer of a virtual digital asset
Who	Any person
Rate	30%
Deduction	No deduction for expenditure other than the cost of acquisition , if any; no allowance; no set-off of any loss in computing this income
Loss	The loss on transfer of a virtual digital asset cannot be set off against income computed under any other provision of the Act, and cannot be carried forward
Transfer	The meaning of “transfer” in section 2(109) applies to a virtual digital asset whether or not it is a capital asset

This means:

- There is **no distinction between short-term and long-term**, and no benefit of the lower rate or the ₹1,25,000 exemption that applies to shares.
- **Expenses** such as exchange fees, brokerage, internet and electricity cannot be deducted.
- **Losses are ring-fenced**: a loss on one coin cannot reduce the gain on another coin in the same year, and cannot reduce salary, business or other income.
- The tax is **30% plus surcharge and 4% cess**.

TDS: 1% on payment (section 393(1), Table serial 8(vi))

Any person paying a sum as **consideration for the transfer of a virtual digital asset** deducts tax at **1%**, with **no threshold limit**. The seller takes credit for the TDS in the return.

Gifts of crypto

A virtual digital asset is “property” for the gift rule in section 92(2)(m). If you receive it from a **non-relative** without consideration, with an aggregate fair market value above ₹50,000 in a year, or for less than its fair market value by more than ₹50,000, the value is taxed as **income from other sources**. Gifts from relatives, on marriage, by will or inheritance, and the other cases in section 92(3) are not taxed.

Examples

1. Gain. You buy a token for ₹1,00,000 and sell it for ₹1,80,000.

- Income from transfer: $1,80,000 - 1,00,000 = ₹80,000$

- Tax: 30% = ₹24,000, plus 4% cess ₹960 = **₹24,960**
- TDS at 1% of ₹1,80,000 = ₹1,800 is credited against this.

2. Loss and gain in the same year. You make a gain of ₹80,000 on one token and a loss of ₹20,000 on another. The tax is on the full ₹80,000, because the loss cannot be set off: $80,000 \times 30\% = ₹24,000$ plus cess. The ₹20,000 loss is lost.

3. Fees. You paid ₹2,000 in exchange fees on example 1. They are not deductible. The income remains ₹80,000.

Reporting

- Report income from the transfer of virtual digital assets in the return, in the schedule provided for it, even if you made a loss, with the cost, date and sale value of each transfer.
- Use the return form you are eligible for (see our post on which ITR form to file); this income is normally reported in ITR-2 or ITR-3.
- Pay **advance tax** on the gains as they arise.
- Keep exchange statements, wallet records and bank proofs. If you hold the VDA as a **business** (a trader), the 30% regime still applies to the transfer income; the cost of acquisition is the only deduction.

Practical advice

1. Do not plan on losses to reduce tax: they are not usable, so avoid churning to book losses.
2. Check that the exchange has deducted **1% TDS** and that it appears in your TDS statement.

Frequently asked questions

How is crypto taxed in India?

Income from the transfer of a virtual digital asset is taxed at 30% (section 194(1), Table serial 4), with cess. No deduction is allowed for any expense other than the cost of acquisition, and there is no benefit of a lower rate for long holding.

Can I set off a crypto loss?

No. A loss on transfer of a virtual digital asset cannot be set off against income from any other source, including a gain on another virtual digital asset, and cannot be carried forward to later years.

Is there TDS on crypto?

Yes, 1% of the consideration, with no threshold, deducted by the person paying for the transfer of a virtual digital asset (section 393(1), Table serial 8(vi)).

Are NFTs covered?

Yes. A non-fungible token or any other token of similar nature is a virtual digital asset (section 2(111)(b)).

Does it matter whether the asset is a capital asset?

No. For this provision, “transfer” in section 2(109) applies to a virtual digital asset whether or not it is a capital asset (section 194(1)).

What if I receive crypto as a gift?

If you receive a virtual digital asset without consideration, or for a price less than its fair market value, from a person who is not a relative, and the value exceeds ₹50,000 in a year, the value is taxed as income from other sources (section 92(2)(m)). Gifts from relatives, on marriage or by inheritance are not taxed.

Official sources

- [Income Tax Department: Income-tax Act, 2025 \(sections 2\(109\), 2\(111\), 92, 194, 393\)](#)

Related reading

- [What is Income Tax? Meaning, Rules, Tax Slabs, Types and Tax Guide for Tax Year 2026-27](#)
- [Decoding the Direct Tax Landscape: Budget 2025 Insights](#)
- [Required Documents for ITR compliances – FY 2024-25](#)

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