

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 × 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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Date
23/11/2026
Date Created
03/07/2026
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