



## 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      | <b>No</b> deduction for expenditure other than the <b>cost of acquisition</b> , if any; no allowance; no set-off of any loss in computing this income                       |
| Loss           | The loss on transfer of a virtual digital asset <b>cannot be set off against income computed under any other provision</b> of the Act, and <b>cannot be carried forward</b> |
| Transfer       | The meaning of “transfer” in section 2(109) applies to a virtual digital asset <b>whether or not it is a capital asset</b>                                                  |

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](#)

## Disclaimer

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