

Cryptocurrency tax- CBDT to release FAQ in June

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A frequently asked questions (FAQ) list on cryptocurrency tax will be released before July 1, the Central Board of Direct Taxes (CBDT) Chairperson Sangeeta Singh said on June 7. Her remarks came during an event hosted by the Income Tax Department in New Delhi as part of the Ministry of Finance's Iconic Week, which coincided with the introduction of the "Pratidhwani" e-book. While responding to a question on virtual digital assets, the CBDT chairperson said, "We are working on the FAQs for clarity on cryptos, and we will release it before 1st July."

Under the new cryptocurrency tax regime, effective April 1, any income from the "transfer" of a "virtual digital asset" will be taxed at a flat rate of 30%.

The Income Tax Department indicated in March that the 30 percent cryptocurrency tax planned in the Union Budget would take effect on April 1, 2022, and that it would keep a tight check on every transaction on crypto exchanges. The CBDT, an apex authority of the income tax department, has directed income tax employees to do so, authorities told ANI.

A senior Finance Ministry official said, "Our officers will keep a close eye on the Cryptocurrency exchanges which are around 40 in number where transactions in major coins like Bitcoin, Ethereum are going on."

Officials told ANI that 10 of the 40 cryptocurrency exchanges deal primarily in the selling and acquisition of cryptocurrencies, with a revenue ranging from ₹34,000 crore to ₹1 trillion.

Other than crypto exchanges, IT sleuths will watch crypto transactions through reporting businesses, according to the official.

The new tax regime of cryptocurrency will fall under section 285BA and sub section (k) of IT Act. Under rule 114 E, persons are required to report the prescribed financial statements in the statement of financial transactions (SFT), any person who is liable for audit under section 44AB (Like Individuals, HUF, firms, etc.)

The official said that by July 1, 2022, when the department will start deducting 1 per cent Tax Deducted at Source (TDS) on crypto transactions, it will become easier for the department to track crypto transactions.