



INTERNATIONAL FINANCE

Crypto and the Indian rules

What a crypto asset is, how India taxes it, who oversees it, and why it sits outside mutual funds

Rules as on 16 October 2026

For training and education only. Not investment advice.

In India, income from crypto is taxed, but crypto products are not regulated as investments.

The Government says crypto products are unregulated, can be highly risky, and may offer no regulatory recourse for losses. Tax and anti-money-laundering rules apply all the same.

Four terms to know first



Crypto asset

A digital token that records value on a shared ledger secured by cryptography. Bitcoin is the best-known example.



Blockchain

The shared ledger itself: a record of transactions kept on many computers rather than by one bank.



Wallet and key

Software holding the secret key needed to move a token. If the wallet or key is lost, the tokens can be lost for good.



VDA

Virtual digital asset: the term Indian tax law uses. It covers crypto assets and non-fungible tokens (NFTs).

Most crypto assets have no issuer promising repayment. Price is whatever buyers will pay.

Sources: Finance Bill 2022 and 2025 memoranda (definitions); RBI press release, 24 Dec 2013; bitcoin.org FAQ.

How the tax works on two trades

ONE YEAR'S TRADES

Token A: bought for ₹1,00,000, sold for ₹1,50,000.

Token B: bought for ₹60,000, sold for ₹20,000.

Overall the investor is ₹10,000 ahead.

- 1 Token A gain: ₹1,50,000 – ₹1,00,000 = ₹50,000. Tax at 30% = ₹15,000, plus surcharge and cess where they apply.
- 2 Token B loss: ₹40,000. It cannot be set off against the gain on Token A or any other income, or carried forward.
- 3 So tax is ₹15,000 on an overall gain of ₹10,000. Only the purchase cost is deductible; fees are not.
- 4 TDS of 1% on the sale amounts, ₹1,500 + ₹200 = ₹1,700, may be deducted and counts towards the tax due.

Each gain is taxed at 30% on its own. Losses do not reduce it.

Illustration with invented tokens and assumed prices. Rules as introduced by the Finance Act 2022.

The tax rules, one by one

Rule	What it says	Since
Flat rate	Income from transferring a VDA is taxed at 30%, whatever the holding period or income slab.	1 Apr 2022
Deductions	Only the cost of acquisition. No other expense or allowance is deductible.	1 Apr 2022
Losses	No set-off against any other income and no carry forward to later years.	1 Apr 2022
TDS	The payer deducts 1% of the payment to a resident seller, above a yearly threshold.	1 Jul 2022
Gifts	A VDA received as a gift can be taxed in the hands of the person receiving it.	1 Apr 2022

Source: Income-tax Act, 2025 (sections 194, 393, 92); Finance Bill 2022 memorandum (earlier sections 115BBH, 194S, 56(2)(x)).

Who oversees what

1

Income-tax Department

Taxes the income and collects TDS. Providers file crypto-asset statements (Form 167) from 2026; first due 31 May 2027.

2

FIU-IND

Since 7 March 2023, crypto exchanges, transfer and custody services are reporting entities under the money-laundering law, and must register.

3

RBI

Its 2018 curbs on bank dealings were set aside by the Supreme Court on 4 March 2020. Banks may still carry out customer checks.

4

No investment regulator

The Government says crypto products are unregulated and can be highly risky, and that losses may have no regulatory recourse.

Sources: Income-tax Act, 2025 s.509 and Rules (Form 167); Gazette notification S.O. 1072(E), 7 Mar 2023; RBI circular of 31 May 2021; PIB release, 9 Sep 2026.

Crypto is not the digital rupee

A crypto asset

- Most have no issuer and no promise of repayment.
- Not authorised by any central bank as a means of payment.
- Price set by trading; it can swing sharply.
- Products are unregulated, says the Government.

The digital rupee (e₹)

- Issued by RBI, India's central bank.
- A digital token that represents legal tender.
- Issued in the same denominations as notes and coins.
- Earns no interest, like cash. Retail pilot since 1 Dec 2022.

Sources: RBI press releases of 24 Dec 2013 and 29 Nov 2022 (retail e₹ pilot); PIB release, 9 Sep 2026.

Where things stand

The tax rates have stayed the same since 2022. Enforcement against unregistered platforms continues.

TAX ON GAINS

30%

Flat rate on income from each VDA transfer, plus surcharge and cess.

TDS ON SALES

1%

Of the payment to a resident seller, above a yearly threshold.

REGISTERED

54

Crypto service providers registered with FIU-IND, as on 9 Mar 2026.

NOTICES

15

Issued by FIU-IND to non-compliant providers; announced 9 Sep 2026.

Sources: Finance Bill 2022 memo; Lok Sabha USQ 5805, 30 Mar 2026; PIB release, 9 Sep 2026.

If you learnt this from older material

What older decks say

- Bitcoin is cash for the internet, used like a card network.
- There are no specific tax rules.
- Buyers and sellers deal directly; nobody reports it.

What holds now

- Gains taxed at a flat 30% since 1 Apr 2022; 1% TDS since 1 Jul 2022.
- Service providers fall under money-laundering law since 7 Mar 2023.
- Providers file Form 167 crypto statements from 2026; first due 31 May 2027.

Taxed, reported and watched for money laundering, but still not regulated as an investment.

Sources: Finance Bill 2022 memo; Income-tax Act, 2025 s.509; Gazette notif. S.O. 1072(E), 7 Mar 2023.

Four things people get wrong



'It is taxed, so it is regulated.'

Tax applies to the income. No regulator stands behind the product, and losses may have no regulatory recourse.



'My crypto losses cut my tax.'

No. A VDA loss cannot be set off against any income, including other VDA gains, or carried forward.



'RBI has banned crypto.'

RBI's 2018 curbs on banks were set aside by the Supreme Court in March 2020. Government says crypto products stay unregulated.



'The digital rupee is a crypto coin.'

The e₹ is issued by RBI and represents legal tender. Most crypto assets have no issuer.

When a client asks about crypto

1

Say what we do

We are a mutual fund distributor. Crypto is not a mutual fund product. This deck is not an offer or recommendation.

2

Explain the tax

30% on each gain, no set-off of losses, 1% TDS on sales. Suggest a tax professional for their own case.

3

Repeat the official caution

The Government says crypto products are unregulated, can be highly risky, and may offer no recourse for losses.

4

Do not recommend either way

Do not recommend buying or selling crypto, and do not compare its returns with any fund.

We explain the rules. We do not offer views on crypto as an investment.

Check yourself

Q1

A client gained ₹80,000 on one token and lost ₹30,000 on another in the same year. On what amount is the 30% tax worked out?

Q2

Name the body that registers crypto exchanges under the money-laundering law, and the date from which this applied.

Q3

A client says: 'Crypto is legal and taxed, so the Government protects my investment.' What is the accurate answer?

Sources and disclaimer

SOURCES FOR THE FIGURES IN THIS DECK

- Tax rules (30%, deductions, losses, 1% TDS, gifts, VDA definition): Income-tax Act, 2025 (ss. 2(111), 92, 194, 393); Finance Bill 2022 memorandum.
- Crypto-asset definition and reporting from 2026: Income-tax Act, 2025 (s.2(111), s.509). Reporting penalties: Finance Act 2026, s.101.
- PMLA coverage: notification S.O. 1072(E), 7 Mar 2023. FIU-IND: Lok Sabha USQ 5805, 30 Mar 2026; PIB releases of 1 Oct 2025 and 9 Sep 2026.
- RBI press releases of 24 Dec 2013 (caution on virtual currencies) and 29 Nov 2022 (₹ pilot); RBI circular RBI/2021-22/45, 31 May 2021.
- Bitcoin facts: bitcoin.org FAQ. Tokens and prices in the examples are invented. This deck is not an offer or a recommendation.

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