

# Virtual digital assets

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**In news-** The Union Budget 2022-23 has proposed a 30 percent tax on income from virtual digital assets.

## **Tax proposed on such assets**

- Budget proposed a flat **30 percent tax on digital asset gains regardless of any long-term or short-term holding by the investor.**
- Additionally, if a virtual digital asset investor incurs **losses** during the transaction, **it can't be set off against any other income.**
- **Gift of digital assets** would be **taxable in the hands of recipients.**
- **There will be no deduction in respect of any expenditure or allowance** shall be allowed while computing such income except the cost of acquisition.
- Budget proposed **a TDS on payment made in relation to the transfer of virtual digital assets at 1 percent** above a monetary threshold.

## **What are virtual digital assets?**

- In the explanatory memorandum of the Finance Bill 2022, **to define the term “virtual digital asset”, a new clause (47A) is proposed to be inserted to section 2 of the Act.**
- As per the proposed new clause, **a virtual digital asset is proposed to mean any information or code or number or token (not being Indian currency or any foreign currency), generated through cryptographic means or otherwise, by whatever name called, providing a digital representation of value which is exchanged with or without consideration, with the promise or representation of having inherent value, or functions as a store of value or a unit of account and includes its**

use in any financial transaction or investment, but not limited to, investment schemes and can be transferred, stored or traded electronically.

- **Non fungible token and any other token of similar nature are included in the definition.**
- A currency is a currency only when it is issued by the central bank even if it is a crypto. But anything which is outside of that loosely will be referred to as cryptocurrency but they are not currencies