

## **Section 194S: TDS on transfer of Virtual Digital Asset (VDA)**

New TDS Provisions under section 194S of the Income-tax Act, 1961 applicable from 01.07.2022

Income from transactions in crypto assets now attracts a 30% tax and 1% tax is deducted at source (TDS) under section 194S on transactions in such asset classes above a certain threshold.

In What Cases Is TDS Deduction Not Required?

No tax is to be deductible if the consideration is payable by any person other than a specified person to a resident and the value or aggregate value of such consideration does not exceed Rs 10,000/- during the financial year.

No tax shall be deducted if the consideration is payable by a specified person to a resident and the value or aggregate value of such consideration does not exceed Rs 50,000/- during the financial year

Following clarification came a day before the implementation of the provision of 1% TDS on all VDA transaction.

CBDT has also notified Form 26QF which is required to be filed by all virtual digital asset exchanges under Sec 194S.

CBDT, vide Notification No. 73/2022 dated 30.06.2022, amends Rule 31A to provide that where under the Guidelines issued under Section 194S, an Exchange agrees to pay tax in relation to transfer of a virtual digital asset owned by it as an alternative to TDS by the buyer, such Exchange shall file a quarterly statement of such transactions in Form No. 26QF; Further provides that the Exchange shall furnish particulars of account paid or credited on which tax was not deducted in accordance with the Guidelines; CBDT, thus, notifies Form 26QF for this purpose Central Board of Direct Taxes, vide Circular No. 14 of 2022, has issued guidelines to remove practical difficulties that may arise while deducting tax at source under Section 194S where Virtual Digital Asset (VDAs) are transferred other than through an Exchange.

It is to be noted that when the Exchange opts for deduction of tax under section 194S, where one VDA is exchanged with another VDA, there is a possibility that the tax amount deducted is also in kind and needs to be converted into cash before it can be deposited with the Government

CBDT, vide Notification No. 74/2022 dated 30.06.2022, Provides Gift cards, vouchers, mileage points, reward points, and loyalty cards will be excluded from the definition of virtual digital assets (VDAs)

This will ensure that these products do not face the tax applicable on VDAs such as cryptocurrencies and non-fungible tokens (NFTs), introduced this budget.

CBDT said the exemption will include gift card or vouchers that may be used to obtain goods or services on a discount on goods, mileage points, reward points or loyalty card under an award, and reward, benefit, loyalty, incentive, rebate or promotional programme that may be used or redeemed to obtain goods or services or a discount on goods or services.

It will also include subscription to website or platform or application, the notification, which comes into effect Thursday, said.

### Who Is A "Specified Person"?

The following are defined as "specified person" for the purposes of this provision:

An individual or Hindu undivided family (HUF) who does not have any income under the head "profit and gains of business or profession"; and

An individual or HUF having income under the head "profits and gains of business or profession", whose total sales/gross receipts/turnover from business carried on by him does not exceed one crore rupee or in case of profession exercised by him does not exceed fifty lakh rupee. This threshold is to be seen in the financial year immediately preceding the financial year in which the VDA is transferred.